KINGFISHER

PROGRESS REPORT ON DELIVERING VALUE

ANNUAL REPORT
AND ACCOUNTS 2009/10

Driving up B&Q UK & Ireland's profit

Self-help measures to rebuild B&Q's retail margin to 7% are delivering results. Retail margin up from 2.8% to 4.9% during the year.

See pages 2, 7 and 20

Exploiting our UK Trade opportunity

Screwfix offer extended. B&Q in-store 'TradePoint' successfully trialled.

See pages 2, 7 and 21

Expanding our total French business

2% new space added. Buying optimisation and cost efficiencies supporting profitability.

See pages 2, 7 and 20

Rolling out in Eastern Europe

20% space added during the year. Sales and profit growth continued.

See pages 2, 8 and 21

Turning around B&Q China

Repositioning plan on track. Prior year losses almost halved, free cashflow positive in the year.

See pages 2, 8 and 21

Growing Group sourcing

Direct sourcing through the Kingfisher Sourcing Organisation (KSO) network continued to grow.

See pages 2, 8 and 17

Reducing working capital

Excellent progress, net working capital reduced by over £300 million.

See pages 2, 8 and 24.

Progress update from the Group Chief Executive

"In the first full year for the new Group Executive team I am pleased to report a strong improvement in performance. We made good progress with our seven-point 'Delivering Value' plan to improve returns to shareholders, which we cover in more detail elsewhere in this report. Profitability, cash generation and return on capital all grew in the UK & Ireland, France, Poland, Turkey and Spain. Encouragingly, losses were significantly reduced in China as our turnaround plan progresses."

Ian Cheshire
Group Chief Executive
Kingfisher plc

"In generally weak consumer markets our self-help initiatives underpinned our robust performance, driving a higher gross margin, more cost efficiency and lower working capital.

"We have also been busy laying the foundations for our future growth by broadening our product range into new categories, opening new stores and coordinating our buying activities to enable more common sourcing. We also made good progress with our corporate responsibility agenda and sales of eco products topped £1 billion for the first time. Our rigorous approach to generating cash returns and tightly managing our capital means we are now able to increase new capital investment to support future growth.

"Looking ahead, we remain cautious on the outlook for consumer demand across Europe. However, we are confident that our experienced management team, successful international strategy and buying scale mean we will be able to drive continued growth through our own actions. Recognising our improved profitability, cash generation and future growth prospects I am delighted that the final dividend payment will be increased, the first dividend growth for our shareholders in five years."

Kingfisher plc is Europe's leading home improvement retail group and the third largest in the world, with over 830 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.

Delivering Value

Kingfisher launched its seven-point 'Delivering Value' plan in 2008 with the aim of improving returns to shareholders. The information below details the progress in the past year and the key milestones for 2010/11.

	2009/10 progress
1. Driving up B&Q UK & Ireland's profit Self-help measures to rebuild B&Q's retail margin to 7% are delivering results. Retail margin up from 2.8% to 4.9% during the year.	**Stores** – 9 large and 8 medium store revamps – 105 'showroom only' revamps – Around 1% new space added **Product and Service** – 'Reserve and Collect' rolled out nationally and 12,000 products for next day home delivery now on diy.com – Self-service checkout rolled out nationally – New monthly store team bonus introduced – 4,000 staff graduated from the 'Showroom Academy', 15,500 staff achieved retail NVQs or City & Guilds qualifications **Margin and Costs** – Margin benefit of 50bps from closing one distribution centre and reducing shrinkage – 120 double-decker distribution trailers introduced to save costs and reduce carbon emissions – 'Top stocks'* removed, overall stock reduction of £90 million – Costs held flat, down 3% before higher staff bonuses * stocks held at the top of in-store shelving
2. Exploiting our UK Trade opportunity Screwfix offer extended. B&Q in-store TradePoint successfully trialled.	– Opened 9 new Screwfix outlets – Launched 'Electricfix', a new specialist mail order catalogue operated by Screwfix exclusively for qualified electricians (14,000 electricians signed up) – Trialled trade counter proposition for Plumbfix (for qualified plumbers) and Electricfix through 7 existing Screwfix outlets – B&Q in-store trade offer (TradePoint) successfully trialled in 9 large stores maximising synergies with Screwfix
3. Expanding our total French business 2% new space added. Buying optimisation and cost efficiencies supporting profitability.	– Opened 4 net new stores, 1 relocation and 5 revamps, adding 2% new space – Buying optimisation programme initiated, supporting margins – Stock shrinkage rates reduced, gross margin benefit of 10bps – Delivered targeted operating cost savings of €65 million
4. Rolling out in Eastern Europe 20% space added during the year. Sales and profit growth continued.	– Opened 15 new stores, 5 in Poland, 5 in Turkey and 5 in Russia – Total sales grew 10.9% (including 100% Turkey JV) to £1.6 billion* * in constant currencies at 2008/09 year end exchange rates
5. Turning around B&Q China Repositioning plan on track. Prior year losses almost halved, free cash flow positive in the year.	– Store portfolio rationalised from 63 to 43, 2 stores downsized with more underway – New store format trialled in Shanghai, now extended to a further 11 stores – In store supplier-funded representatives replaced with B&Q trained staff in most product areas in new format stores – New single room make-over and single product installation service launched – Central cost reduction initiatives progressing well, one regional office closed – Working capital reduction in line with target, helping B&Q China generate a positive free cash flow in the year
6. Growing Group sourcing Direct sourcing through the Kingfisher Sourcing Office (KSO) continued to grow.	– Shipped volumes of direct sourced product through Kingfisher's global sourcing network increased by 14% to around US$800 million – Work started on aligning buying processes within B&Q UK and Castorama France to enable more commonality of ranging in the future
7. Reducing working capital Excellent progress, net working capital reduced by over £300 million.	– Delivered £315 million reduction despite the negative effects of legislative changes shortening French payment terms (known as LME) – Reducing moving annual average stock days by 15 – Average payment terms on direct sourced product extended by 25 days

2010/11 milestones

Stores
- 15 large and 15 medium store revamps
- Around 100 'showroom only' revamps (kitchen, bathroom and bedroom areas)
- No new space to be added

Product and Service
- To broaden B&Q's customer offer several new or expanded product categories will be trialled in store to determine their suitability for a nationwide introduction in 2011/12 (eg eco and storage ranges)
- Extend retail NVQ or City & Guilds qualification training programme to a further 9,500 staff

Margin and Costs
- Direct sourcing to rise by 20%

- National roll out of TradePoint format to 118 B&Q large stores
- Open 10 further Screwfix outlets
- Add specialist trade counters exclusive to plumbers and electricians within 100 existing Screwfix sites

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- Open 3 net new stores, 1 relocation and 8 revamps, adding around 2.5% new space
- Extend buying optimisation programme
- Direct sourcing to rise by around 30%
- Development of a joint-sourced value brand common to both businesses ('Premier Prix')
- More new product launches and new advertising campaigns for both businesses

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- Open a further 15 new stores, 6 in Poland, 5 in Turkey and 4 in Russia, adding around 15% new space
- Open new central distribution centre in Poland in H2 of 2010/11 (to enable more direct sourcing)
- Trial smaller 'city store' format in Moscow (H2)

- Complete the store rationalisation plan (2 further stores) and remaining downsizes
- Continue the new format trial
- Continue the work started in 2009 on re-engineering ranges from the current supplier led model to a more product led, traditional retail ranging model. This milestone will take around 2 years to complete, but is key to creating a sustainably profitable and scalable business
- Return to a profitable business model during H2 of 2010/11, on track for a return to overall profitability in 2011/12

- Increase volume of direct sourced shipments by 26% to US$1 billion
- Commence alignment of range review calendars for major product categories to facilitate more cross-Group common sourcing

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- Like for like working capital to remain constant. Overall balance may increase due to further negative effects of the French LME and investment required for new stores
- Further extend payment terms on direct sourced product by another 5 days

Chairman's statement

Daniel Bernard
Chairman

In my first year as Chairman I am pleased to report a year of excellent progress at Kingfisher. Adjusted pre-tax profit* was up nearly 50% to £547 million, driven by growth in each of our geographic regions of the UK & Ireland, France and Other International.

The focus on debt reduction continued to deliver results, with financial net debt down to £250 million from £1 billion the previous year, underpinned by strong cash generation.

These results were delivered against the backdrop of the worldwide economic recession, with fears about unemployment and possible tax increases weighing heavily on consumer confidence. However, consumer spending was supported by interest rate cuts, as well as fiscal measures and other incentives.

I believe Kingfisher's key strengths helped us manage our way through this difficult period. We have strong retail brands, all with a value heritage. We have leading market positions, including the number one position in five of the countries in which we trade. And our international spread, with around 60% of sales and profits coming from outside the UK, gives the Group good geographic balance. In addition, Kingfisher has what I believe to be a strong, experienced management team, led by Ian Cheshire.

Our management took decisive action during the year to improve and grow our business in the face of the downturn. This self-help programme included a continued focus on our three key priorities of Management, Capital and Returns. We managed our business tightly, with a close eye on costs, cash and stock. And we continued to make good progress with our seven point 'Delivering Value' plan. This is covered in more detail in the 'Conversation with the executive team' on pages 6 to 8. However, I would highlight the 80% increase in profits at B&Q in the UK & Ireland and the very resilient performance in France, where profits grew despite a declining market. In addition, our business in Poland delivered another very strong performance, Spain moved from loss to profit and Russia continued to expand whilst becoming profitable at store level for the first time. In China, a well-executed turnaround plan meant that losses were significantly reduced.

* before exceptional items, financing fair value remeasurements, amortisation of acquisition intangibles, related tax items and tax on prior year items.

There is more that we can do to improve our business and I believe very strongly that Kingfisher is at a very exciting stage of its journey. If we put the customer at the heart of the business and then give our teams the tools and resources to serve these customers, then I am sure that Kingfisher can fulfil its ambition to become the world's leading local home improvement retailer.

The Board is recommending a final dividend of 3.575p, up 5.1% on the final dividend in the previous year. This represents a return to dividend growth after five years and takes the full year dividend to 5.5p in total.

I am delighted to welcome two new non-executives to the Board. Anders Dahlvig brings to Kingfisher a wealth of international retailing experience having been Chief Executive and President of The IKEA Group from 1999 to 2009, during his 26 years with the company. Whilst at IKEA Mr Dahlvig took the business into Russia and China, having previously run their businesses in Europe and the UK. Andrew Bonfield, who succeeds Phil Bentley, as Chairman of Kingfisher's audit committee, was previously Finance Director of Cadbury and before that held the same position at Bristol-Myers Squibb, BG Group and SmithKline Beecham. I am sure they will make an extremely valuable contribution to the Board.

I would like to formally acknowledge the Board's debt of gratitude to Hartmut Krämer, who retired as a non-executive in October due to ill health after seven years as a director. Hartmut sadly passed away towards the end of the year. I would also like to thank Phil Bentley, who retired in March after seven years on the Board. He made a tremendous contribution. Michael Hepher is due to retire from the Board at the next AGM after 12 years as a director. I would like to thank him for his valuable service during this time.

Finally, I would like to pay tribute to the 78,000 Kingfisher employees around the world. It is people who make retail businesses, and I believe we have a great team of loyal hard-working staff at Kingfisher. It is this team which has been collectively responsible for the progress the Group has made this year and I look forward to working with them in the year ahead.

Operational Review – full year by geography – year ended 30 January 2010

	Sales 2009/10 £m	% Total Change (Reported)	% Total Change (Constant currency)	% LFL Change	Retail Profit 2009/10 £m	% Total Change (Reported)	% Total Change (Constant currency)
France[1]	4,242	9.1%	(0.6)%	(3.4)%	322	+13.9%	+3.7%
UK & Ireland[2]	4,442	1.4%	1.2%	(0.1)%	217	+64.8%	+64.5%
Other International[3]	1,819	3.5%	5.1%	(0.2)%	125	+41.7%	+77.8%
Total Group	10,503	4.8%	1.1%	(1.5)%	664	+32.1%	+29.4%

Note: Continuing operations only. Joint Venture (JV) and Associate sales are not consolidated. Retail profit is stated before central costs, interest, exceptional items, amortisation of acquisition intangibles and the Group's share of interest and tax of JVs and associates.

1 Castorama and Brico Dépôt.

2 B&Q in the UK & Ireland and Screwfix. Prior year figures include the now ceased Trade Depot trial and have been restated to include Ireland.

3 Poland, China, Spain, Russia, Turkey JV and Hornbach in Germany.

2009/10: £1 = €1.13 (2008/09: £1 = €1.24)

2009/10: £1 = 4.86 Polish zloty (2008/09: £1 = 4.39 Polish zloty)

2009/10: £1 = 10.79 Chinese renminbi (2008/09: £1 = 12.51 Chinese renminbi)

Group Financial Summary

	2009/10	2008/09	% Total Change (Reported)	% Total Change (Constant currency)
Sales	£10,503m	£10,026m	+4.8%	+1.1%
Retail profit	£664m	£503m	+32.1%	+29.4%
Adjusted pre-tax profit	£547m	£368m	+48.6%	
Adjusted basic EPS	16.4p	11.0p	+49.1%	
Profit before taxation	£566m	£90m	528.9%	
Profit for the year	£385m	£206m	+86.9%	
Basic EPS – total operations	16.5p	8.9p	+85.4%	
Interim dividend	1.925p	1.925p	Flat	
Final dividend	3.575p	3.4p	+5.1%	
Full year dividend	5.5p	5.325p	+3.3%	
Like-for-like sales growth	(1.5)%			
Financial net debt	£250m	£1,004m	(75.1)%	(75.2)%

Note: Continuing operations only. Joint Venture (JV) and Associate sales are not consolidated. Retail profit is stated before central costs, interest, exceptional items, amortisation of acquisition intangibles and the Group's share of interest and tax of JVs and associates. Adjusted measures are before exceptional items, financing fair value remeasurements, amortisation of acquisition intangibles, related tax items and tax on prior year items. A reconciliation to statutory amounts is set out in the Financial Review.

Statutory reporting is continuing operations only and after net post-tax exceptional gain/(charge) (2009/10: £10m; 2008/09: £(88)m.

Highlights (in constant currency)

- **Self-help initiatives drove robust growth in profit and cash generation. Good progress with the seven step 'Delivering Value' plan, return on capital up 250 bps**
- **Retail profit up 29.4% with growth achieved in each of the three main operating divisions:**
  - **French profits up 3.7% to £322 million, supported by margin and cost initiatives**
  - **UK & Ireland profits up 64.5% to £217 million. B&Q retail profit margin improved from 2.8% to 4.9% benefiting from sales growth and margin and cost initiatives. TradePoint trial a success, national roll-out underway**
  - **Other International profits up 77.8% to £125 million. Strong growth in Poland and Turkey continued and trading in Russia, Spain and Germany was resilient. China repositioning plan on track with losses almost halved in the year**
- **Financial net debt reduced by 75% (at reported rates). Free cash flow of £761 million of which around £550 million was used to repay outstanding bonds and loans early**
- **Final dividend up 5%, the first dividend growth for five years**
- **Property portfolio independently valued at £3.0 billion (2008/09: £3.2 billion)**

A conversation with the executive team

Left to right

Euan Sutherland
Chief Executive, B&Q and Kingfisher UK

Philippe Tible
Chief Executive, France

Ian Cheshire
Group Chief Executive

Peter Hogsted
Chief Executive, International

Kevin O'Byrne
Group Finance Director

My priority right now is to successfully execute our Delivering Value programme. We've made a great start but there is a lot more to do.

Ian Cheshire – Group Chief Executive

You say Delivering Value is on track, is the finish line now in sight?
After another successful and productive year the target is certainly more in sight, though much work has yet to be done to secure it. But as we get closer to achieving our target I increasingly see it as the starting line from which the real race starts, definitely not the finish line.

Looking back, 2008 was a pivotal year of change. A new, stronger and more unified leadership team was created and we put in place a clear recovery plan. In 2009, with the whole organisation engaged behind it, the fruits of that plan helped drive 49% higher earnings per share and £761 million of free cash generation. That's a great result, especially in the tough markets we faced and I thank all our 78,000 staff worldwide for working so hard to deliver our goals.

So where will future growth come from?
Just to be clear, my priority right now is to successfully execute our Delivering Value programme. We've made a great start but there is a lot more to do.

But the leadership team are increasingly turning their attention to life beyond 2012 and laying the foundations today for sustainable future growth. With significant growth in consumer spending considered unlikely, we aim to invest in innovation to create our own opportunities. For example, we have been broadening our customer offer by introducing new product categories into our existing stores. The new specialist professional trade offer, TradePoint, which is now being rolled out in all of B&Q's bigger stores, is a great example. And we continue to broaden our reach by opening new stores, particularly in France and Eastern Europe where returns are highest.

But as well as broadening the business we need to harvest much more benefit from our international buying scale. Our direct sourcing is growing strongly and we are doing the ground work now on our buying processes to enable more range harmonisation in the future.

Where does the sustainability agenda fit within Delivering Value?
Everywhere, it's simply part and parcel of being a leading business. Helping our customers to have more sustainable homes is a laudable aim given that around a quarter of all carbon emissions come from residential housing. But it makes great business sense as well because our customers are increasingly looking to buy products and services to make their homes more efficient and less costly to run. That's why we are increasing the proportion of our eco products and planning a Group-wide range of energy efficient products. By leveraging our Group buying scale we can make these products more affordable for the customer and more profitable for us. We made good progress with our corporate responsibility programmes during the year and are ahead of our targets in several areas. Sales of eco products topped £1 billion for the first time, showing that consumer demand is growing.

It also makes sense for our own business to be as efficient and sustainable as possible, reducing both our costs and our impact on the environment. That's why we have been working with the Carbon Trust on ways to reduce our energy usage. At B&Q UK we have significantly cut energy costs and made a CO_2 reduction of 16% since 2006.

Philippe Tible – CEO, Kingfisher France

How were you able to grow profit in what was the worst French home improvement retail market for many years?
A lot of hard work from our 20,000 colleagues in France meant our sales outperformed what was the weakest market for many years and we were able to deliver the ambitious cost management target I set at the start of the year. Benefits from optimising our buying in France also meant that we were able to remain very price competitive in a more promotional market and maintain our overall gross margin percentage. Growing our business in such a difficult market was testament to the strength of having two complementary store brands but one unified strategy for France.

Is there any growth left to go for in France?
Absolutely, whilst France is already Kingfisher's highest profit contributor and cash generator I remain very excited about the future growth potential of Kingfisher France.

Castorama, with its fuller product and service offer and broader consumer appeal, continues to go from strength to strength. It has consistently grown market share as it gains momentum from its successful modernisation programme. But the glass is only half full – we have over 40% of our Castorama stores yet to modernise and the potential to open more new stores.

In Brico Dépôt we have a very successful smaller, discount format aimed more at the specialist trade end of the market. With its tradesman bias it did suffer more last year due to the housing downturn but it has protected profit thanks to the benefits from recent investment in new systems and logistics and a firm focus on cost efficiency. I have no doubt that this business will return to sales growth as the market improves and we will continue to open more Brico Dépôt stores in France.

Euan Sutherland – CEO, B&Q and Kingfisher UK

B&Q's retail margin increased from 2.8% to 4.9%. Are you still confident that 7% can be achieved?
Yes, absolutely, and the exciting thing is that most of this is in our hands – it's a self-help recovery, not a market-led recovery. One of B&Q's great strengths is its 'Can do' attitude and right now everyone at B&Q is working flat out to drive efficiencies through every line of the profit and loss account. A great example is customer self check-outs where in one year we successfully rolled out these new tills to all stores. The stores did a brilliant job executing such a huge and complex project so well and these tills now account for over 40% of all transactions.

A conversation with the executive team

There is also a huge opportunity in sourcing. Last year our gross margin percentage grew by 1.1 percentage points and it will grow again in 2010 as we significantly increase our direct sourcing from around the world. We import around 12% of the products we sell and this will double over the next few years.

But what about top line growth?
B&Q has much more to offer its customers but we must have the business firing on all cylinders first. A lot of 'retail engineering' has taken place at B&Q from improving store standards and clearing excess stock levels (top stocks) to reducing the shelf space needed to display ranges. Trials run over the last 18 months have shown us that we can achieve the same total store sales using only 80-90% of the space in our bigger stores. This is a fantastic growth opportunity as it means we can broaden our business and create more top line sales from the spare space in our 119 bigger stores, and for minimal investment. And the additional sales are highly profitable because we are leveraging what is a largely fixed cost base in the existing store.

The first example of how we will use this new available space is the introduction of a 4,000 square foot specialist trade area called TradePoint. TradePoint combines Screwfix's know how and specialist trade brands with the convenience of B&Q's store location and long opening hours. Add to this, access to the rest of B&Q's offer with exclusive year round tradesman discounts and I believe we have created something unique and very attractive for our professional customers. We will have 118 of these by the end of the summer and we will also trial other new categories, the best of which will be rolled out in 2011.

Peter Hogsted – CEO, Kingfisher International

It's been a busy year for you in China, are you making headway?
Yes, we had a lot of work to do in 2009 and all credit to the team that we ended the year in much better shape. We delivered exactly what we said we would do; consolidated our store base, improved our working capital and reduced costs. The losses were significantly reduced as planned and we were actually cash generative across the year. We have also started to downsize our stores and implement a new store format. There is much work to do here and I was very pleased that Loïc Dubois agreed to join us as CEO B&Q China to lead the next phase of our plan and return the business to profitability. Loïc spent 15 years in senior roles with Carrefour in China and other Asian markets.

Poland seems to go from strength to strength, but is it about to run out of steam?
The business has done very well to continue to grow its top line and maintain its high operating profit in what was a slower market in 2009. However, I believe there is more to come yet from our Polish business. The market still has a lot of pent up demand for more and better housing and we have many more stores to open before we reach our full store potential. Importantly, our excellent profitability is driven by high sales, not high gross margin percentage. Over time there is opportunity to improve gross margins by introducing centralised distribution, more direct sourcing, broader ranges and Group own brands. In fact we will be opening our first distribution centre in Poland in 2010 to start tapping this potential. Poland is a long term growth story for Kingfisher as is Russia, where we are continuing to expand and open new stores.

You are responsible for Group sourcing and innovation – what's in the pipeline?
Given my 13 years at IKEA it will not surprise you that I see huge potential from driving more range commonality across Kingfisher. Véronique Laury-Deroubaix did a great job modernising the ranges at Castorama France, where she was commercial director, and she is now helping me drive change across the Group. The first priority is simply to raise the level of direct global sourcing in each of the individual businesses. After that, the big prize is to create common, Kingfisher-wide ranges to leverage our Group scale.

Kevin O'Byrne – Group Finance Director

Last year you said "Cash is King" and set working capital reduction as a key priority. It seems to have gone better than planned. Was it just a one off?
It did go well and we generated £761 million of cash well ahead of expectations. We set ambitious internal targets and aligned our remuneration schemes behind this goal. This improved cash flow was generated from several sources, improved trading, a more selective approach to capital investment and a focus on reducing our net working capital. Thanks to these efforts we were able to repay approximately £550 million of outstanding bonds and loans early, reducing our ongoing financial costs. The business reduced stocks by 15 days, whilst improving on-shelf stock availability for customers, contributing to a £315 million reduction in net working capital.

But what's really important is that this increased focus on better free cash flow generation isn't a short lived initiative, it's now firmly embedded as an ongoing business priority across Kingfisher.

Having improved cash generation are acquisitions, special dividends or share buybacks on the agenda?
Whilst it's true that our headline reported financial net debt of £250 million looks low we also take into account our store leases and pension scheme when thinking about total debt and appropriate balance sheet leverage. On this broader basis we have gearing of some 50%, putting us at still only the lower end of investment grade. For this reason the uses you mention above are not really on our radar at the moment.

So looking forward we will adopt a prudent and balanced approach to cash. We will continue to use our cash generation to strengthen our balance sheet, invest in the business and pay our shareholders a dividend. We will, of course, look carefully at any opportunities to accelerate growth but our hurdle criteria are much tougher these days.

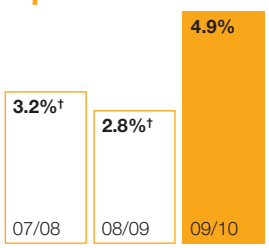
Key Performance Indicators

Delivering Value

Key UK & Ireland · France · Other International · Group programmes · Environment

Driving up B&Q UK & Ireland's profit

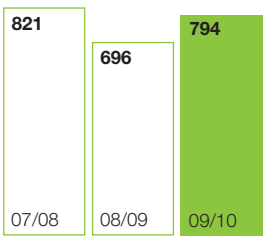
Operating margins



See p2, p7 & p20 for more details

Growing Group sourcing

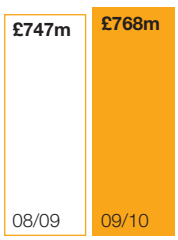
Direct shipments US$m



See p2, p8 & p17 for more details

Exploiting our UK Trade opportunity

Total trade sales



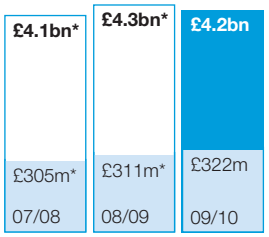
See p2, p7 & p21 for more details

Reducing working capital

See p2, p8 & p24 for more details

Expanding our total French business

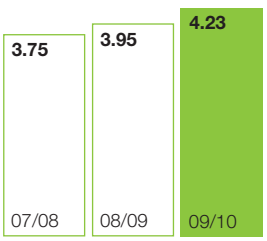
Sales
Profits



See p2, p7 & p20 for more details

Engaging our people

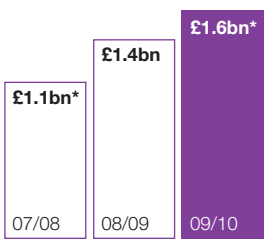
Gallup Q12 staff engagement survey



See p16 for more details

Rolling out in Eastern Europe

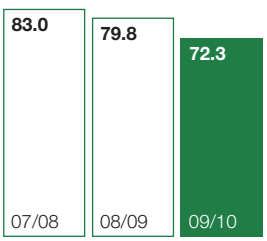
Sales



See p2, p8 & p21 for more details

Minimising our impact on the environment

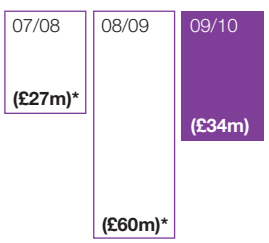
Climate change CO_2 emissions from store energy (kg CO_2 equivalent per m^2 total sales area)



See p18 for more details

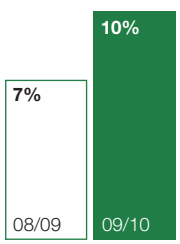
Turning around B&Q China

Profit/(loss)



See p2, p8 & p21 for more details

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



See p18 for more details

* restated at constant currency.
† restated to include Ireland.

Our business and our markets

France	Contribution to Group sales	Gross capital expenditure	Property (at market value)
	41%	33%	43%
	£4.3bn	£85m	£1.3bn

UK & Ireland	Contribution to Group sales	Gross capital expenditure	Property (at market value)
	42%	39%	27%
	£4.4bn	£99m*	£0.8bn

Other International	Contribution to Group sales	Gross capital expenditure	Property (at market value)
	17%	28%	30%
	£1.8bn**	£72m	£0.9bn

Total	£10.5bn	£256m	£3.0bn

* Includes central allocation
** JV sales not consolidated
*** Size of repair, maintenance and improvement market, restated to include categories such as bedrooms and soft flooring
† UK & Ireland
§ Credit Suisse estimates

Country	Households (m)	Market size (£bn)	Market position	% Market share	GDP growth 2010 estimated (%)§	Market brands	Store numbers	Selling space (000s sq m)	Employees (full time equivalent*)
France	27	20	1	21	2.0	castorama	101	1,011	11,608
						BRICO DEPOT	100	547	5,881

Country	Households (m)	Market size (£bn)	Market position	% Market share	GDP growth 2010 estimated (%)§	Market brands	Store numbers	Selling space (000s sq m)	Employees full time
UK	25.7	31***	1	14	1.5	B&Q	330†	2,477†	22,801†
						SCREWFIX	147	13	2,658
Ireland	1.5	2	–	5	-1.3				

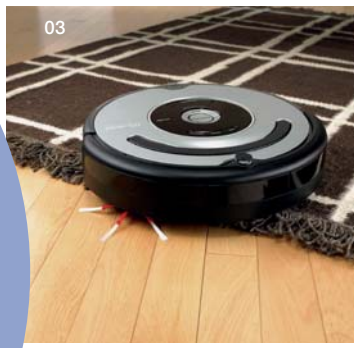
Country	Households (m)	Market size (£bn)	Market position	% Market share	GDP growth 2010 estimated (%)§	Market brands	Store numbers	Selling space (000s sq m)	Employees full time
Poland	14	7	1	13	2.5	castorama	50	392	8,648
						BRICO DEPOT	6	28	420
China	383	29	1	2	9.6	B&Q 百安居	43	399	7,161
Spain	16	6	3	3	-0.5	BRICO DEPOT	16	95	784
Russia	53	12	3	1	3.6	castorama	12	108	2,297
Turkey	16	5	1	5	4.5	Koçtaş	26	136	2,318
							831	5,206	64,576

HORNBACH HOLDING AG Kingfisher has a 21% interest in, and strategic alliance with, Hornbach, Germany's leading large format DIY retailer.

Products

Innovation

Today's consumers are increasingly looking for newness; new products, new services, new ways of shopping, all at great prices. Kingfisher intends to remain at the forefront of innovation, working with our suppliers to offer our customers new, good value, exclusive products for their homes, as well as services that make their shopping experience as easy as possible. We use customer insight to drive innovation, so we can better capture new ideas and ways of working and share them between our businesses. The following pages give examples of innovation in products, stores and services.



01 Wallpaper
B&Q UK has joined forces with Laurence Llewelyn Bowen to create new ranges of designer wallpaper. His designs are based on a floral motif and feature striking colours including burnt orange, green and pink. £19.98 per roll

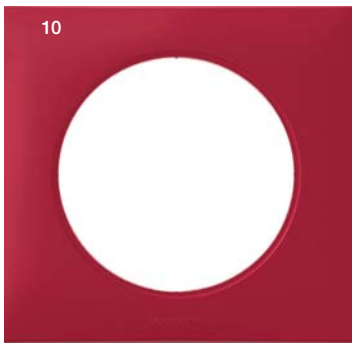
02 Bathrooms
A new dual function WC and sink launched at Castorama France is perfect for small cloakrooms and saves $3m^3$ of water per year by recycling the water from the sink. €299

03 Vacuum cleaners
A new cableless iRobot Roomba 520 vacuum cleaning robot has been launched at Castorama France. Cleaning up to $60m^2$ on a single charge, the intelligent device automatically returns to its self-charging base. €299

04 Shutters
B&Q UK has launched a new and exclusive range of shutters by leading British designer Kelly Hoppen MBE. Each shutter is hand-crafted from FSC certified Poplar and Elm hardwoods. From £99

05 Bathrooms
Screwfix has launched a new design-led bathroom range called Watersmith Bathrooms via a catalogue that was mailed to its Plumbfix customers with an exclusive discounted trade price.

06 Tiles
At half the thickness of normal tiles but just as resistant, these large tiles at Castorama France can be fitted on to a floor, wall or directly on to existing tiles. From €29.90



Product innovation
Kingfisher uses its significant buying strength and long-established network of sourcing offices around the world to bring innovative products to customers at affordable prices. These range from Kingfisher's own-brand names, such as Colours decorative products and MacAllister power tools, to aspirational ranges by well-known designers.

07 Storage
This new professional storage system called Concepto from Brico Dépôt France has been designed for the do-it-yourself enthusiast. Concepto includes cabinets, shelves and storage boxes, all modular items which can be pieced together to fit into the desired space perfectly.

08 Lighting
Also new at Castorama France is multi-coloured LED spot-lighting which is controlled remotely, immediately altering the mood with the press of a button. €29.90

09 Outdoors
Summer 2010 will see B&Q UK offer customers its best ever outdoors range which will include new gardening kits for kids and a whole range of tools for children to encourage them to grow their own. Tool sets from £2.98

10 Light switches
In partnership with Legrand, Castorama France has developed a new range of electrical plug and light switch covers which are available in a variety of colours and can be easily clipped on and off, adding an instant update to any room.

11 Shower enclosures
B&Q UK's Cooke & Lewis kitchen range has been rolled out into bathrooms and shower enclosures, extending its offer of premium style and finish at affordable prices. New shower enclosures include this Cascata P-shaped model (£1,099) with ultra low profile shower tray (£439).

Stores and services

01 Kingfisher UK, TradePoint
A new trade offer called TradePoint will be rolled out across all larger B&Q UK stores in 2010. TradePoint combines Screwfix's know how and specialist trade brands with the convenience of B&Q's store location and long opening hours. It is specifically designed for trade customers, with over 12,000 trade-only products available, including bricks and blocks, paint, kitchens and bathrooms, plumbing, electrical, tools and fixings. TradePoint will be open seven days a week, up to 15 hours a day with guaranteed stock availability, fast service and competitive prices. As a joint initiative between B&Q and Screwfix, TradePoint is a good example of Kingfisher's businesses working more closely together.

02 Castorama France, Paris (Val d'Europe)
Castorama France opened its store in the Val d'Europe retail park, part of the Disneyland Paris site, in March 2010. Designed by an architect who worked on the Disneyland Paris project, the store has four floors and a total sales space of 9,000 m^2, creating around 60 new jobs. The Val d'Europe retail park contains 145 stores and receives more than 18 million visitors a year, with around 10% coming from Disneyland Paris.

03 Installations, B&Q UK
B&Q UK has extended its bathroom and kitchen installation services in Scotland to include flooring, tiling, hanging doors and garage doors, fires and electrical replacement such as sockets and light fittings.

04

05

06

07

08

04 iPhone DIY application, Castorama France
In February 2010 Castorama France launched a free iPhone application to help users carry out successful DIY projects at home. Features include a surface area calculator to determine how much paint, wallpaper, flooring or tiles is required for particular jobs, a memo area which stores facts and figures, and a simple and practical spirit level.

05 DIY classes, B&Q UK
In 2009 B&Q UK trialled two DIY classes for the general public. Facilitated by trained individuals, the classes were free and included instruction on laying flooring, fixing leaking taps, putting up shelves and decorating behind radiators.

06 Eco shops, B&Q UK
In March, B&Q launched its first eco shops at its stores in New Malden and Sutton in Surrey. The eco shops enable homeowners to get everything they need all in one place to live a more sustainable home life and save money whilst doing it. There will be products and advice on energy and water, as well as services including boiler, solid wall and solar thermal water heating installations.

From May, B&Q will be offering 'home eco audits' to help homeowners understand the measures they can implement to cut their home's environmental impact and running costs.

B&Q is also introducing Eco Advisers with special NVQ qualifications. Starting first at the Sutton and New Malden stores this role will then be rolled out across the country.

07 Installations, B&Q China
At B&Q China a new single room make-over and single product installation service was launched. This enables customers to have single items installed, such as a bath, toilet or lighting, or a single room decorated, in addition to the full apartment fit-out service which the business has provided for many years.

08 Self-service check-outs, B&Q UK
Self-service check-outs were rolled out across B&Q UK, enabling customers to speed up their shopping trip. They now typically account for around 40% of transactions.

In today's highly competitive home improvement marketplace a good experience in-store can play a vital role in building customer loyalty.

Last year Kingfisher's businesses continued to provide tailored training to the people who are in the front line of delivering customer satisfaction – our store teams. These programmes took a number of different guises across the world but all shared the common goal of improving the service we provide.

B&Q's 'friendly experts' build customer confidence

In March 2009, B&Q UK began a national roll out of two vocational training programmes it launched in pilot form the previous year. Both programmes offer qualifications backed by City & Guilds, the UK's foremost vocational awarding body. The first, the NVQ (National Vocational Qualification) Retail Skills Level 2, has now been achieved by 10,000 customer advisers. The second, which is the UK's first fully-accredited Home Improvement Knowledge Qualification, has courses tailored to decorating, gardening, building and room solutions. Some 5,500 employees had achieved this qualification by year-end.

Last year also saw 120 B&Q staff – ranging in age from 18 to 70 – begin their Retail Apprenticeship. This is a new City & Guilds-accredited programme which brings together six nationally-recognised qualifications and is designed to fast track high potential employees towards more senior positions within the Company.

In September 2009 B&Q launched its Showroom Academy, aimed at employees who work with customers seeking complete room solutions. The Academy offers a range of courses focusing on product knowledge and selling skills, with more than 10,500 places taken during the programme's first three months of operation – a ratio of just under three courses for every member of the showroom team.

Training underpins B&Q China transformation

B&Q China recognises the vital role its store staff will play in the drive back to profitability. As stores are revamped and the customer interface shifts from vendor representatives to B&Q's own staff, a series of bespoke training programmes have been implemented to help store teams to grow into their new roles.

A total of 72 one-day product knowledge workshops were held in stores during the year. In addition more than 2,500 product knowledge workbooks have been distributed to customer advisers. Each 50-page workbook is tailored to a different category, with kitchen, bathroom, paint & decorative, tiling, flooring and building covered so far and more to follow throughout 2010. After completing the workbook employees must sit an exam to test their understanding of it, with the first of these exams taking place from March 2010. B&Q China has also developed its own 5-Step Selling training course, which has already been delivered to almost 2,000 customer advisers.

The training focus has not been confined to the shop floor, however: more than 160 managers have received training in the core principles of project management, while members of the product buying team have attended bespoke range architecture and category management training as well as getting the opportunity to improve their negotiating skills.

French businesses underline commitment to training

Employees at our two French businesses, Castorama and Brico Dépôt, have participated in a broad range of learning and development programmes. At Castorama, almost 8,800 members of staff have now taken part in half-day customer service workshops entitled *Client Attitude*, while around 4,000 took advantage of e-learning courses focusing on areas such as product knowledge and selling techniques. Meanwhile Brico Dépôt continued to roll out its established vocational training programmes, with more than 8,000 employees receiving training in areas such as marketing, IT/systems and management skills throughout the year.

Gallup engagement survey gains traction

Two years ago Kingfisher rolled out the Gallup Q12 survey – a globally-recognised means of measuring employee engagement – to more than 1,300 leaders across the Group. In 2009/10 we began to see the survey's initial results being used to create targeted programmes to boost engagement. The effects of these initiatives could be seen in the final survey of last year, which saw our GrandMean score for the leadership population (the biggest indicator of engagement levels) reach 4.23. This is defined as a 'statistically significant increase' of 0.28 on the final 2008/09 survey of the leadership population when measured on a like-for-like basis.

Last year also saw B&Q UK, which pioneered the Q12 process within Kingfisher, record its highest-ever GrandMean of 4.26, a figure that Gallup considers 'world class'.

01 City & Guilds training at B&Q UK
Molly Motsi, from B&Q's Enfield store, achieved her City & Guilds qualification in January, one of over 15,000 staff to achieve this accreditation

Group buying programmes

Strong performance in direct sourcing

Growing Group sourcing is one of the seven steps identified by Kingfisher as key to delivering value for our shareholders. Buying directly from our suppliers gives us greater control of the product sourcing process, helping us to maximise quality, value and innovation as well as reducing time to market. Having a strong direct sourcing network also enables us to capitalise on our international scale by making it easier for our retail businesses to create common ranges for our stores.

Last year, the Kingfisher Sourcing Organisation (KSO), was further strengthened with a new buying office in Vietnam, which joined the established teams in China, Hong Kong, Poland, Brazil and India. In addition, four new category managers were appointed, with this new senior-level position having responsibility for driving common ranges and buying synergies. A Global Quality Plan was implemented to ensure the sustainable development of our direct sourcing activities and dedicated IT systems were introduced to manage all quality requirements. Suppliers were also required to sign up to Kingfisher's Code of Conduct.

Together with the other initiatives highlighted below, these efforts helped Kingfisher grow the value of direct shipments to US$794 million (at factory prices), up from US$696 million the previous year.

Maximising our buying strength

Good progress has been made on the direct sourcing of goods by individual Kingfisher businesses in recent years, to the extent that we are now better placed to move towards more cross-Group sourcing. In 2009, three quarters of total KSO spend was with shared suppliers (supplying two businesses or more). Castorama France and B&Q UK, our two biggest businesses, worked particularly closely on seasonal and garden furniture ranges, organising joint buying trips to China, Hong Kong and India.

In power tools, a four-way collaboration between Castorama France and Poland, Hornbach and Koçtaş resulted in joint buying of 64 products, most notably for Kingfisher's own-brand MacAllister.

Closer relationships were also forged domestically. In the UK, B&Q and Screwfix established over 100 common products in electrical extension leads and cabling, while in France Castorama and Brico Dépôt jointly purchased 3,700 km of composite decking.

These programmes have generated bottom line savings and have also enabled the buying teams to drive technical innovation, particularly in MacAllister power tools.

Kingfisher's retail businesses are now working to align their sourcing strategies in key categories such as technical lighting, paint, roof windows, storage, and plumbing and heating. The target is to achieve a fully aligned range review calendar within the next three years. In order to accelerate this process, Kingfisher's businesses are working closely to build a shared portfolio of exclusive own-brands with multi-lingual packaging.

Driving supplier performance

We continue to develop our strategic supplier partnerships, with an increasing number of international contracts now in place. We are also providing further support to our newer and fast-growing businesses in their relationship-building with international suppliers.

In October 2009 the Kingfisher Supplier Conference in Paris had as its theme 'Re-invent the home', giving our buyers and suppliers the opportunity to share their views on consumer lifestyle and home improvement trends.

Further progress in goods not for resale

Kingfisher also applies the principles of collaboration and leveraging our buying strength in the area of goods not for resale (GNFR) – the products and services we need to operate on a day-to-day basis. Our largest businesses in the UK and France have generated significant cost efficiencies through bypassing agents and other middlemen to deal directly with GNFR suppliers; while at a Group level we have established a network of preferred suppliers who now compete for contracts with our various global retail businesses. Collaborative buying programmes have taken place in a number of key areas, including catalogue paper, mechanical handling equipment, display racking and shopping trolley baskets.

Ethical sourcing

Kingfisher continues to work with suppliers to improve labour and environmental conditions throughout our supply chain. The Kingfisher Sourcing Organisation (KSO) audits the factories of every new supplier against the Kingfisher Code of Conduct for Factory Working Conditions. Factories of our established suppliers are also audited on a regular basis. In total we carried out some 541 factory assessments during 2009/10. Factory manager training, as well as partnership projects such as the greener production programme in Hong Kong, provide further guidance and support.

02 Jointly sourced garden furniture ranges
Pictured here is a rattan garden furniture set which has been jointly sourced by B&Q in the UK and Castorama in France. It is known as 'Haiti' at B&Q and 'Cobbo' at Castorama.

Corporate responsibility – Future Homes

As one of the world's leading home improvement retailers, Kingfisher is in a unique position to help consumers make their homes more sustainable at lower cost. At the same time, we aim to make our own business more sustainable, through more efficient use of resources.

This is what Kingfisher's Future Homes strategy is all about: helping customers, employees and suppliers make the homes of the future more sustainable and affordable. A comprehensive 166-point implementation plan is used to drive progress across the Group businesses. Over the past year, Kingfisher has been working with Forum for the Future, the independent sustainability experts, to set key milestones for 2012.

Sustainable homes

Around 25%* of carbon emissions come from the home and Kingfisher can play a key role in tackling this whilst helping homeowners reduce their energy costs. We are developing an own-label range of eco products which will be progressively rolled out. By using the Group's buying strength, we are driving innovation and reducing prices for customers.

Over the past year we have run a number of high profile marketing drives to increase eco product sales, including B&Q UK's One Planet Home® and Castorama France's La Maison Éco campaigns. In 2009/10, sales of eco products totalled £1.07 billion – accounting for 10% of total retail sales across the Group (up from 7% the previous year).

B&Q UK has over 4,000 products in its One Planet Home® range.
At Castorama France, eco-ranges account for 11% of sales.

A key focus for us is to provide information and advice to customers about simple, low cost solutions that help reduce the environmental impact of their homes and save money. For example:

- B&Q UK is launching eco stores within its stores which provide information, products and advice for customers in one place. It is also introducing qualified eco advisers in stores. There are now over 4,000 One Planet Home® accredited products.
- Castorama France is rolling out its La Maison Éco campaign, promoting its range of over 5,000 eco products via product labels, posters and store displays. Regular energy saving workshops are organised for customers.
- Koçtaş in Turkey has run its first TV commercials to promote energy saving light bulbs.
- Brico Dépôt Spain has launched the Eco Brico logo to identify eco products in store and worked with the Forest Stewardship Council (FSC) Spain on a poster campaign to promote FSC certified timber.

*UK figure

A range of effective marketing campaigns have been run during the year. For example:

- Brico Dépôt France's offer on energy saving spiral light bulbs led to a 30% increase in sales.
- B&Q UK's price promotion on insulation in February, with a triple pack of insulation at just £2.50 (83p per roll), saw 173,000 triple packs sold, making it B&Q's biggest week ever of insulation sales.

Further to this, B&Q is also participating in a new UK Government pilot project to finance home energy makeovers through the Home Energy Pay As You Save scheme. This is a Government loan scheme for customers to make energy efficiency improvements to their homes.

Sustainable stores and operations

Kingfisher is committed to leading by example, and is therefore working to embed sustainability into all aspects of its own operations.

The Group has set a number of environment targets to be achieved by 2011/12. All operating companies have action plans on energy, transport and waste to drive progress. The Group encourages the sharing of best practice through regular Group property workshops and exchange visits.

As part of its commitment to One Planet Living, B&Q UK has an ambition to cut CO_2 emissions by 90% by 2023 (from 2007). It also aims for all new stores to be zero carbon by 2012 and existing stores to be zero carbon by 2023.

See page 17 for information on ethical sourcing.

Environmental Key Performance Indicators (KPIs)

Issue	KPI	2008/09	2009/10	Progress
Climate change	CO_2 from store energy (kg CO_2 equivalent/m^2 total sales area)	79.8	72.3	9% reduction
Store energy efficiency	Kwh/m^2 total sales area	209	198	5% reduction
Waste	Store waste disposed (tonnes per £m retail sales)	12.2	10.5	14% reduction
Sustainable timber resourcing	% reported timber volume from proven, well-managed forests or recycled sources.	71.8	77.4	Increase of 5.6

forum for the future
action for a sustainable world

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

Financial review

Financial summary

Profit and EPS including all exceptional items for the year ended 30 January 2010 are set out below.

	2009/10	2008/09	Increase
Profit for the year	**£385m**	£206m	86.9%
Basic EPS – total operations	**16.5p**	8.9p	85.4%

A summary of the continuing reported financial results for the year ended 30 January 2010 is set out below.

	2009/10	2008/09	Increase
Sales	**£10,503m**	£10,026m	4.8%
Adjusted pre-tax profit	**£547m**	£368m	48.6%
Adjusted basic earnings per share	**16.4p**	11.0p	49.1%
Dividends	**5.500p**	5.325p	3.3%

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

	2009/10 £m	2008/09 £m	Increase
Profit before taxation	**566**	90	528.9%
Exceptional items before taxation	**(17)**	273	
Profit before exceptional items and taxation	**549**	363	51.2%
Financing fair value remeasurements	**(2)**	5	
Adjusted pre-tax profit	**547**	368	48.6%

Kevin O'Byrne
Group Finance Director

Overview

Total **sales** on continuing businesses grew 4.8% to £10.5 billion on a reported rate basis, and 1.1% on a constant currency basis. During the year, an additional three net new stores were opened taking the store network to 805 (excluding Turkey JV). This includes the impact of rationalising 20 net stores in China and five in Trade Depot. On a like-for-like basis, Group sales were down 1.5%.

Retail profit before exceptional items grew by 32.1% to £664 million and by 74.6% to £681 million including exceptional items. In the current year there was an exceptional profit of £17 million from the sale of properties.

The net **interest** charge for the year was £57 million, down £26 million on the prior year. Lower average net debt levels and lower interest rates reduced net finance costs by £37 million. This was partly offset by a £11 million increase in the non cash accounting charge arising primarily from a higher net deficit on the defined benefit pension scheme.

Profit before tax grew by £476 million to £566 million as a result of improved trading in the year and the significant level of exceptional costs in the prior year. On a more comparable basis, which removes the impact of one-off items and fair value remeasurements, **adjusted pre-tax profit** grew by 48.6% to £547 million.

Profit for the year which included discontinued operations in the prior year grew by 86.9% to £385 million. Discontinued operations in the prior year related to Castorama Italy which was disposed of in 2008/09. This resulted in the Group recording a **basic EPS** of 16.5p which is up 7.6p (85.4%) in the year.

TRADING REVIEW – FRANCE

Sales £m	2009/10	2008/09	% Change (Reported)	% Change (Constant)	% LFL Change
France	**4,242**	3,888	9.1%	(0.6)%	(3.4)%

Retail profit £m	2009/10	2008/09	% Change (Reported)	% Change (Constant)
France	**322**	283	13.9%	3.7%

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

Kingfisher France

Kingfisher France total sales were £4.2 billion (-3.4% LFL, -3.0% on a comparable store basis) in a weak consumer environment. According to Banque de France* sales for the market on a comparable store basis were down around 3%. Across the two businesses, four net new stores were opened, one was relocated and five were revamped, adding around 2% new space.

Retail profit margins were maintained benefitting from broadly flat gross margins, with higher own-brand sales penetration and buying optimisation benefits offsetting increased promotional activity across both businesses. Decisive management action to flex store costs and reduce costs meant the full year target of €65 million was achieved, helping to support retail profit margin.

Castorama delivered broadly flat total sales of £2.2 billion (-1.7% LFL, -0.9% on a comparable store basis) supported by its modernisation programme. Stores trading in the new format, now representing 57% of total selling space, continue to significantly outperform.

Seasonal categories were up around 1% LFL, benefitting from favourable weather and a new catalogue. Non-seasonal sales were down around 2% across most categories although energy saving products (representing around 11% of sales) and new ranges outperformed.

Strong working capital improvements were delivered across the year. Annual average stock days were reduced by 16 days year on year, driven by a store stock reduction programme and supply chain improvements.

Brico Dépôt, which more specifically targets the professional tradesman, delivered total sales down 1.2% to £2.0 billion (-5.4% LFL). Trade demand has been weak across the year (market** down 11% across the year), impacted by the slowdown in housing starts (down 17%) and big project planning consents (down 18%). Self-help initiatives progressed well, including updated catalogues, new ranges (e.g. kitchens +5% LFL, bathrooms +7% LFL) and the stepping up of 'arrivages' promotions (rolling programme of one-off special buys).

*Banque de France data including relocated and extended stores
**Private building market down 11% (Jan-Dec 09) according to UNIBAL

TRADING REVIEW – UK & IRELAND

Sales £m	2009/10	2008/09	% Change (Reported)	% Change (Constant)	% LFL Change
UK & Ireland	**4,442**	4,379	1.4%	1.2%	(0.1)%

Retail profit £m	2009/10	2008/09	% Change (Reported)	% Change (Constant)
UK & Ireland	**217**	132	64.8%	64.5%

UK & Ireland includes B&Q in the UK & Ireland and Screwfix. Prior year figures include the now ceased Trade Depot trial and have been restated to include Ireland.
All trading commentary below is in constant currencies.

Kingfisher UK & Ireland

Kingfisher UK & Ireland delivered total sales up 1.2% to £4.4 billion (-0.1% LFL) and retail profit up 64.5%, supported by strong sales, gross margin benefits and further cost initiatives. The total home improvement market* was relatively resilient, down around 0.3%, with better early spring weather and renewed consumer interest in the home and DIY helping offset the negative impacts of the recession. However, both the Trade and the Irish markets were challenging throughout the year. Kingfisher's UK businesses in aggregate outperformed the market.

B&Q UK & Ireland's total reported sales grew 2.6% (+1.3% LFL) to £4.0 billion. More favourable weather boosted sales of outdoor products, up around 6%, and kitchen, bathroom and bedroom sales were up around 7%, with improved merchandising, new ranges and competitor withdrawal helping drive market share at a time of weak consumer appetite for bigger ticket purchases. Sales of DIY and decorative products remained relatively resilient, down around only 2%, with less house moving activity offset by renewed consumer interest in DIY and low-cost room makeovers.

Retail profit grew 79.4% to £195 million. For the second year in a row gross margin percentage increased, up 110 basis points (2008/09: +60 basis points) despite the costs of clearing 'top stocks'** across the store estate during Q3. Gross margins benefitted from lower mark down activity, better sales of higher margin products, shrinkage reduction and supply chain cost efficiencies. A strong focus on operating cost efficiencies also continued, resulting in flat overall costs year on year despite 1% underlying cost inflation, 1% new store space and a higher level of staff bonus.

Following successful trials of a lower-cost large store revamp last year (around £1 million versus £2.5 million for a standard revamp), a further nine were completed during 2009/10 as well as eight medium format stores. In addition, 80 more limited revamps were completed which focus only on the main showroom categories (kitchen, bathroom and bedroom). B&Q UK & Ireland now has 119 large stores (66 in the modern format) and 211 medium stores (of which 185 have been modernised).

Trade

Screwfix limited the impact of a challenging trade market with total sales declining 4.3% to £471 million compared with the wider Trade market*** which we estimate to have declined around 15%. Initiatives that drove market share gains included the continued roll out of trade counters and the new 'Plumbfix' and 'Electricfix' specialist mail order catalogues. Nine trade counters were opened during the year, taking the total to 147. Almost 60% of total sales are now generated from these physical outlets. Retail profit was £22 million, down £8 million reflecting the sales decline and investment in new outlets.

During 2009/10 B&Q successfully trialled TradePoint, a new trade market offer exclusive to tradesmen. The new proposition takes the very best of B&Q (extended opening hours, convenient locations, heavy building ranges, showrooms and the rest of the stores' retail products) and adds the best of Screwfix's ranges and logistics expertise to create a merchant environment with extended trade brands and trade only prices, all exclusively for tradesmen. This offer is unique in the UK and is expected to boost Kingfisher's low share in the professional trade market.

TradePoint is a 4,000 sq ft dedicated area within a B&Q store. It has its own separate entrance, exit and payment area, a trade only manager and a team of eight to meet the trademan's needs. Access is restricted to TradePoint members who have been verified as genuine tradesmen. Trade customers choose from a catalogue of 12,000 specialist and trade branded products and place their order with staff at a manned counter. For those 8,000 items held in stock, the products are picked within seven minutes by TradePoint staff from a 3,000 sq ft warehouse behind the counter. For non-stocked items, overnight delivery is arranged. Trade customers can also shop the rest of the B&Q store with special catalogue pricing available to them on a large range of B&Q products.

TradePoint uses space made available by ongoing work at B&Q to merchandise its existing ranges in less space. In the trial stores around half of TradePoint customers are new to B&Q, space utilisation is improved and gross margins are higher than those achieved on the current trade offer. After staff costs, catalogue production costs and marketing the format generates an attractive incremental profit. The initial investment is expected to payback within two years.

National coverage in 118 large B&Q stores is expected by late summer 2010 from a capital investment of around £26 million plus net working capital of around £4 million. The impact of the roll out will be profit neutral in 2010/11.

* Market data from GfK for the UK leading retailers of home improvement products and services (including new space). However, this data excludes private retailers e.g. IKEA and smaller independents.
** Stocks held at the top of in-store shelving
*** Based on the Builders' Merchants Federation data for the 12 months to Jan 2010

TRADING REVIEW – OTHER INTERNATIONAL

Sales £m	2009/10	2008/09	% Change (Reported)	% Change (Constant)	% LFL Change
Other International	**1,819**	1,759	3.5%	5.1%	(0.2)%

Retail profit £m	2009/10	2008/09	% Change (Reported)	% Change (Constant)
Other International	**125**	88	41.7%	77.8%

Other International includes Poland, China, Spain, Russia, Turkey JV and Hornbach in Germany. Continuing operations only. JV and Associate sales are not consolidated.
Prior year figures have been restated to exclude Ireland.
All trading commentary below is in constant currencies.

Other International total sales increased 5.1% to £1.8 billion (LFL sales broadly flat). Retail profit was up 77.8% to £125 million, reflecting strong growth in Poland and lower losses in China.

During 2009/10, 16 stores opened, five in Poland, five each in Turkey and Russia and one in Spain, adding around 18% new space. A further 16 stores are planned for 2010/11, including six in Poland, five in Turkey, four in Russia and one in Spain.

In **Eastern Europe** sales in **Poland** were up 8.0% to £1.0 billion (+0.3% LFL despite a tough comparative of +9.8%) reflecting good growth in expanded decoration ranges and a good response to the new garden catalogue. Retail profits were up 10.7% to £125 million with gross margin percentage slightly higher benefitting from sales of higher margin products and buying scale benefits. Costs grew slower than sales due to tight cost control. **Russia** continued to be encouraging with sales up 18.6% to £163 million and trading profitable at store level. In **Turkey**, Kingfisher's 50% JV, Koçtaş, grew retail profit by almost 40% due to tight cost control.

Elsewhere, **Spain** delivered its first retail profit with sales up 28.2% to £200 million, significantly outperforming the market. **Hornbach**, in which Kingfisher has a 21% economic interest, contributed £31 million to retail profit (2008/09: £29 million).

B&Q China sales declined 11.1% to £444 million primarily reflecting 20 fewer net stores now trading compared to the prior year. As the year progressed the housing market improved, boosting demand. LFLs were down 3.3% (2008/09: down 27.9%) and losses of £34 million were almost half that of the previous year. The turnaround plan announced last year is progressing well.

Interest

As discussed above net interest has decreased by £26 million in the year. The breakdown is as follows:

	2009/10 £m	2008/09 £m
Cash		
Interest on net debt	**(54)**	(91)
Non Cash		
Interest (charge)/return on defined benefit pension scheme	**(4)**	13
Financing fair value remeasurements	**2**	(5)
Other	**(1)**	–
Statutory net interest	**(57)**	(83)

Taxation

The effective rate of tax, calculated on profit before exceptional items, prior year tax adjustments and the impact of rate changes is 30% (2008/09: 31%). The overall rate is 32% (2008/09: 98%). In the previous year the overall unadjusted tax rate was distorted by limited tax relief on the exceptional charge.

Effective tax rate calculation 2009/10	Profit £m	Tax £m	Effective rate
Profit before tax and tax thereon	566	181	32%
Less exceptional profit and tax thereon	(17)	(7)	
Less prior year adjustment		(7)	
Total	549	167	30%

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

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

Jurisdiction	Statutory tax rate 2010/11	Statutory tax rate 2009/10
UK	28%	28%
France	34.43%	34.43%
Poland	19%	19%
Rest of Europe	0% – 34%	0% – 34%
Asia	16.5% – 25%	16.5% – 25%

French tax receipt

On 7 September 2009, following a favourable tax ruling in France, the Group received a refund of the €138 million exceptional tax liability paid by Kingfisher in 2003/04 relating to the Kesa Electricals demerger plus a further €31 million repayment supplement.

The French tax authorities have appealed the ruling. As a result the Group has not recognised the €169 million as income in the current year.

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 risk 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 tax law and associated procedures. The Group manages and controls these risks through local management, its Group tax department and appropriate advice from reputable professional firms. Where disputes arise with the tax authorities the Group addresses the areas of dispute promptly in a professional, open and constructive manner.

Exceptional items

	2009/10 £m (Charge)/gain	2008/09 £m (Charge)/gain
Profit on disposal of properties	**17**	13
China restructuring	**–**	(107)
UK restructuring	**–**	(19)
Carrying value impairment of Hornbach	**–**	(36)
Impairment of goodwill	**–**	(124)
Post-tax profit on disposal of Italy	**–**	178
	17	(95)
Tax on exceptional items	**(7)**	7
Net exceptional items	**10**	(88)

The Group has recorded an exceptional post-tax profit of £10 million in the year (2008/09: loss £88 million). The profit was in relation to the disposal of properties which realised a pre-tax net gain of £17 million (2008/09: £13 million gain).

In 2008/09 the Group recorded an exceptional loss of £107 million relating to the B&Q China turnaround plan and £19 million in relation to the closure of the Trade Depot trial in the UK. Both plans have progressed well.

Earnings per share

Total earnings per share have increased by 85.4% to 16.5p (2008/09: 8.9p).

Excluding businesses sold, earnings per share were 16.5p (2008/09: 0.2p). The increase year on year is as a consequence of improved performance and the level of exceptional charges in the prior year. On a more comparable basis, removing the impact of exceptional items and financing fair value remeasurements, adjusted basic earnings per share have increased by 49.1% to 16.4p.

	2009/10	2008/09
Basic earnings per share	**16.5p**	0.2p
Exceptional items	**(0.7)p**	11.7p
Financing fair value remeasurements (net of tax)	**(0.1)p**	0.1p
Impact of prior year items and exceptional items on income tax	**0.7p**	(1.0)p
Adjusted basic earnings per share	**16.4p**	11.0p

Dividends

Given the operational performance in 2009/10 and confidence in delivery of the seven point 'Delivering Value' plan, the Board believes that it is appropriate to increase the final dividend for the year. The Board has proposed a final dividend of 3.575p per share, up 5.1% compared with the final dividend last year. The total dividend for the year is 5.5p per share, covered 3.0 times by adjusted earnings (2008/09: 2.1 times).

The final dividend for the year ended 30 January 2010 will be paid on 18 June 2010 to shareholders on the register at close of business on 7 May 2010, subject to approval of shareholders at the Company's Annual General Meeting, to be held on 17 June 2010. A dividend reinvestment plan (DRIP) is available to all shareholders who would prefer to invest their dividends in the shares of the Company.

The shares will go ex-dividend on 5 May 2010. For those shareholders electing to receive the DRIP the last date for receipt of electing is 27 May 2010.

In the future it is proposed that the Group's interim dividend will be calculated automatically as 35% of the prior year's total dividend. Based on this, the interim dividend to be paid in November 2010 would be 1.925p per share. The final dividend will continue to be proposed each year as part of the March full year announcement.

Return on Capital (ROC)

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

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

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

Standard Return on Capital

	2009/10	2008/09 Restated	Increase/ (decrease)
Return on capital (ROC)	**8.3%**	5.8%	2.5%pps

For Standard ROC, Return is calculated as post-tax Retail Profit less central costs and excluding exceptional items, other than realised property profit. Return is then divided by a two point average of Invested Capital (calculated as Net Assets excluding Net Debt and Pension related items including related Deferred Tax). Return and Invested Capital have been restated to exclude Castorama Italy in 2008/09 for comparability to 2009/10.

The strong operating performance combined with improved asset turns has resulted in the Standard ROC performance increasing from 5.8% (restated 2008/09) to 8.3% in 2009/10 compared to the Group's weighted average cost of capital (WACC) of 7.8%.

Lease adjusted ROC is based on the same definition except it excludes property lease costs, and Invested Capital is adjusted for lease costs capitalised at the long term property yield. Lease adjusted ROC has increased from 5.6% (restated 2008/09) to 6.8% in 2009/10.

Lease adjusted ROC excluding goodwill and property profit

Kingfisher's underlying ROC by geographic division is set out below. Return is stated adjusted for property lease costs and before property profits. Invested Capital excludes goodwill but includes capitalised leases. 2008/09 results exclude Castorama Italy and Ireland has been moved to the UK & Ireland geographic division from the Other International division. Other International includes the Group's share of Joint Venture and Associate income net of tax and Invested Capital.

Lease adjusted ROC	Retail Sales £bn	Proportion of Group sales %	Invested Capital (IC) £bn [1]	Proportion of Group IC %	Returns % 2009/10	Returns % 2008/09 Restated
UK & Ireland	4.4	42%	5.7	63%	**6.4%**	5.4%
France	4.3	41%	2.0	22%	**12.4%**	11.9%
Other International	1.8	17%	1.4	15%	**9.5%**	7.7%

1 Excluding goodwill of £2.4 billion.

Free cash flow

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

	2009/10 £m	2008/09 £m
Operating profit (before exceptional items)	**606**	446
Other non cash items [1]	**319**	310
Change in working capital (before exceptional items)	**315**	180
Pensions and provisions (before exceptional items)	**(68)**	(50)
Operating cash flow	**1,172**	886
Interest paid [2]	**(63)**	(94)
Tax paid [2]	**(151)**	(77)
Net capital expenditure	**(197)**	(328)
Free cash flow	**761**	387
Dividends paid	**(125)**	(125)
French tax receipt	**148**	–
Discontinued operations	**–**	546
Other [3]	**(44)**	(23)
Cash flow movement in net debt	**740**	785

1 Includes depreciation and amortisation, share-based compensation charge, pension service cost, share of post-tax results of JVs and associates and profit/loss on retail disposals.
2 Excludes French tax receipt – £120 million tax and £28 million repayment supplement.
3 Includes exceptional items (excluding property disposals), dividends received from JVs and associates, purchase of own shares and purchase of minority interests.

The Group exceeded its financial net debt target for the year, reporting year end net debt of £250 million (2008/09: £1,004 million). On a constant currency basis net debt has decreased by £1.45 billion over the last two years from £1.7 billion.

Free cash flow of £761 million was generated in the year, an improvement of £374 million year on year largely due to increased profits, a reduction in working capital and lower capital expenditure.

Working capital improvement was driven in particular by a focus on stock which reduced by £234 million. Stock days have reduced from 107 days in 2008/09 to 92 days on a moving average basis. Net capital expenditure has reduced to £197 million in the year.

With a tight focus on cash over the last two years, the Group has been able to repay £554 million nominal value of gross debt by buying back significant proportions of the 2010 and 2012 Eurobonds. In addition, the Group cancelled available bank facilities of £275 million ahead of maturity in 2010. These actions will save interest and fees of some £10 million in 2010/11. In 2010/11 the Group has two bonds with a nominal value totalling £370 million that mature and will be repaid during the year. The Group will continue to focus on cash going forward but aims to increase capex spend to drive growth where the returns are attractive.

Capital expenditure

Gross capital expenditure on continuing operations decreased by 34% in the year to £256 million. Of this, £102 million was spent on property (2008/09: £174 million) and £154 million on fixtures, fittings and intangibles (2008/09: £216 million). A total of £59 million of proceeds from disposals were received during the year (2008/09: £62 million).

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

- An annual strategic planning process (which leads into the budget process for the following year) based on detailed plans for all divisions 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, which includes the Group Chief Executive, Group Finance Director, Group Property Director and the three regional CEOs. The committee is delegated to review all projects between £0.75 million and £15.0 million (including the capitalised value of lease commitments).
- Projects above this level are approved by the Board although all projects above £0.75 million are notified to the Board.
- Investment criteria and challenging hurdle rates for IRR (Internal Rate of Return) and discounted payback.
- An annual post-investment review process to undertake a full review of all projects above £0.75 million which were completed in the last four years, together with a review of recent performance on all other existing stores. The findings of this exercise are considered by both the Retail Board and the Board and directly influence the Regional and Group Development Strategy and the assumptions for similar project proposals going forward.

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.

Going forward, Kingfisher is targeting to have a low financial net debt and to further improve our credit metrics to maintain a solid investment grade credit rating.

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

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

Kingfisher deposits surplus cash with a number of banks with strong credit ratings and with money market funds which have the strongest, AAA, credit rating and offer same day liquidity. A credit limit for each bank or fund is agreed by the Board covering the full value of deposits and a proportion of the value of derivative contracts. The credit risk is reduced further by spreading the investments and derivative contracts across several counterparties. At the year end, Kingfisher had over £1 billion of cash deposited with banks and in money market funds. The highest single cash investment was a £101 million money market fund investment.

As noted above, the first significant debt maturities occur this year, when £370 million nominal value of debt falls due for repayment. A £150 million bond, of which £85 million remained outstanding at the year end, following repurchases, was repaid in March. £285 million of a €500 million bond is due in October, which will be repaid with surplus cash.

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. The Group is in compliance with this covenant, with the ratio at the year end being 10.7:1.

The Group has entered into interest rate derivative contracts to convert the fixed rate payable on its bond and US Private Placement notes to floating rate, except for €129 million of debt, due in October 2010, which remains at fixed rate. The floating rate interest rates paid by the Group under its financing arrangements are based on LIBOR plus a margin. The margins were not changed during the year. Under the terms of the financing agreements, the margins are fixed and are not subject to change in line with credit ratings or financial ratios.

Financial risk management

Kingfisher's treasury function has primary responsibility for managing certain financial risks to which the Group is exposed, details of which are provided in note 24 of the accounts.

Capital risk management

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern and retain financial flexibility in order to continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a balance between the higher returns that may arise from a higher level of borrowings and the advantages of a strong credit profile.

The Group manages its capital by:

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

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

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

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

Property

The Group owns a significant property portfolio, most of which is used for trading purposes. If the Group had continued to revalue this it would have had a market value of £3.0 billion at year end (2008/09: £3.2 billion), compared to the net book value of £2.7 billion recorded in the financial statements. The values are based on valuations performed by external qualified valuers where the key assumption is the estimated yields.

The valuation exercise was performed in October 2009 with approximately one third of the portfolio valued by external professional valuers.

Pensions

At the year end, the Group had a deficit of £198 million in relation to defined benefit pension arrangements of which £171 million is in relation to its UK Scheme. In 2008/09 the Group had a deficit of £74 million.

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

The increase in the deficit was predominantly due to changes in the financial markets which drive the valuation of the pension obligation. The biggest change being a 1% decrease in the UK discount rate used which is a key assumption in valuing the pension obligation. Accounting standards require this to be set based on market yields on high quality bonds at the balance sheet date. Due to the current volatility of the bond market, there can be significant fluctuations in the yield rate.

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

Risks

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

The Corporate governance report on pages 35 to 40 describes the systems and processes through which the directors manage and mitigate risks.

The Board considers that the principal risks to achieving its objectives are set out below.

Risk	Action
1: China fails to deliver the desired return Although the Company has established a significant market share and brand presence in our key Chinese consumer markets the business has not delivered the desired return on invested capital.	We have made solid progress with the turnaround programme in our operations in China and have implemented a number of key actions including: measures to strengthen the management team, a stock clearance plan to release working capital and a store re-organisation plan to ensure that our store locations are appropriate. We are now currently evaluating a new format and product ranges to ensure that the B&Q China proposition is aligned with our customers' needs in order to provide a sustainable and long-term return.
2: The fragility of economic recovery continues to undermine consumer confidence and restricts opportunities for growth. Uncertainty surrounding the resilience of the global economy and the ongoing effectiveness of fiscal stimulus and monetary measures continue to impact consumer confidence and present a difficult trading outlook across the retail sector, particularly in terms of delivering opportunities for growth.	We remain committed to the measures implemented throughout 2009 to ensure the Group is appropriately managed in a tough economic environment. Strong cash generation throughout 2009 has enabled the Group to reduce financial net debt from £1 billion at the end of 2008/09 to £250 million at the end of 2009/10. Given the robust health of our balance sheet, the ongoing availability of undrawn bank facilities and the recovery of the bond markets, we are confident that we have sufficient financial flexibility to manage the business through any worsening of the economic climate.
3: We fail to take advantage of our combined buying power synergies and economies of scale There is a risk that we fail to 'unlock' the potential to generate further shareholder value through the optimisation of combined purchasing and commercial synergies.	We have introduced challenging targets across our major operating companies to ensure we have identified those categories that will benefit most, in terms of optimising cash margin gains, from a more collective approach to both international contract negotiations and own-brand opportunities. Increased alignment of products, sourcing, and packaging strategies for our major own-brand products continue to drive cost price reduction opportunities. The Kingfisher Sourcing Organisation has also been enhanced to ensure it has the appropriate structures to deliver improved direct sourcing opportunities across the Group.
4: Our systems and supply chain infrastructures lack the flexibility and capability to support the delivery of our strategic plans Our ability to deliver the targets set by our seven step 'Delivering Value' strategy will undoubtedly place increasing demands on our existing supply chain and systems infrastructure and technologies. There is a risk that our infrastructure will lack the necessary scalability, flexibility and resilience to support its successful execution. This is particularly relevant to our operating companies in developing markets which may not yet have the necessary logistics infrastructure and capabilities in place to accommodate our direct sourcing plans.	We have plans to make the necessary information technology investment to maintain or extend the useful lives of our existing technologies and developing solutions that directly support our Delivering Value plans. Where possible, we are also seeking to eliminate complex or heavily bespoke technologies that may hold back new and innovative customer offers. We remain committed to ensuring that we invest in the right supply chain infrastructures to support our growth plans and allow us to maximise synergies and efficiency opportunities.

Risk	Action
5: We fail to adopt our formats and models to meet ongoing changes in consumer trends, particularly given the impact of developments in the multi-channel sphere. Across our businesses we operate in increasingly sophisticated and changing markets. Our customers are becoming increasingly comfortable with the idea of shopping online and are using the internet more interactively, not just to make purchases, but also to research and seek inspiration and ideas for their homes and families. The ability to offer our customers a full and compelling multi-channel offering in terms of products, ideas, delivery options, services and innovations is becoming increasingly important and there is a risk that if we fail to capitalise on the continued growth of the internet and invest in multi-channel technologies we will lose market share to both traditional home improvement and new online competitors.	Improving our multi-channel offer forms a core component of how we develop our customer proposition and we are investing to ensure we fully exploit our multi-channel capabilities. We are also investing in improvements to both the quality and depth of our knowledge and understanding of customer insight and market trends.
6: Impact of a major health and safety failure affects our reputation and results in harm to our employees, penalties or prosecution There is a risk that repeated health and safety failures could result in a major incident or fatality that is directly attributable to either a systematic or institutionalised failure in our health and safety management systems. This would result in damage to our reputation through adverse publicity, prosecution and censure.	With around 78,000 employees and six million customers visiting our stores each week, robust health and safety systems are a priority. The Board is committed to creating and sustaining a safe environment for both our staff and customers and regularly review and challenge health and safety performance, standards and targets across our businesses. Kingfisher's Corporate Centre is also responsible for facilitating the sharing of health and safety best practice between the Group's businesses and the development of minimum Group standards, which in some cases will be stricter than local regulatory requirements. While regulatory requirements vary from country to country, each operating company is required to designate a director with specific responsibility for health and safety. This person is then responsible for ensuring that a written health and safety policy is communicated to all staff, that appropriate health and safety arrangements are in place to protect our employees and that we comply with local regulatory requirements. The ultimate responsibility within each operating company remains with the local Managing Director.
7: We do not make the necessary investment in our people to ensure that we have the appropriate calibre of staff, skills and experiences across the Group Retail is fundamentally a people business and there is a risk that we fail to make the necessary investment in our people to ensure that we have the appropriate calibre of staff for specific roles and that skills and experiences are deployed in the best interests of the individual, the operating company and the Group.	We continue to invest in our people via effective staff training programmes. For example, in the UK, we have partnered with City & Guilds to deliver nationally accredited and recognised qualifications and apprenticeship schemes. We remain committed to the ongoing assessment and measurement of our people's engagement with the business. We invest in Group wide engagement surveys and dedicate time and resource to improving engagement. We have also introduced new elements to our share-based long-term incentive plans across our business, to ensure that senior management rewards are aligned with our targeted performance and earnings growth.

Risk	Action
8: The risk of penalties or punitive damages arising from failure to comply with new legislative or regulatory requirements The geographic, political and cultural diversity of the markets in which we operate exposes us to wide ranging and complex legal and regulatory frameworks. There is a danger that we do not understand the risks associated with either existing or proposed changes to legislative requirements across the jurisdictions in which we operate.	Individual operating companies, supported where necessary by the legal and corporate responsibility department, are responsible for ensuring that they have access to sufficient legal and governance resource. Operational management are also responsible for liaising with either local legal resources or the legal and corporate responsibility department to resolve any potential issues arising from new legislation or any suspected breaches of existing legislation or Group policies. Where new operating companies are either acquired or created, formal Group-defined governance structures are established from the outset. At a minimum, these provide guidance regarding Board and Audit Committee processes and procedures, the implementation of which are subject to a review by the Legal and Corporate Responsibility Director and the internal audit department.
9: The potential impact to Kingfisher's reputation, arising from a major ethical or environmental failure As our customers become more knowledgeable about the environmental and social impact of our businesses, we are increasingly being asked to provide both products and product information that support our intent to operate an environmentally sustainable and ethically responsible business. As a result, the risks to our reputation, arising from a major environmental or ethical failure, increase.	Kingfisher is committed to its investment in promoting ethics, social responsibility and environmental sustainability. Kingfisher's strategy sets out a policy and framework for integrating sustainability into the business, and includes specific standards and targets for all operating companies. A CR risk assessment tool has been developed to help our operating companies identify and manage CR risks and opportunities. We also engage with key non-governmental organisations and industry forums (e.g. Forum for the Future, FTSE4Good and Business in the Community) to ensure that we are at the forefront of the environmental debate and assume a leadership position amongst our peers. For more details see the Corporate Responsibility section on page 18.
10. We do not implement the measures and disciplines to effectively assess the shareholder value delivered through the Delivering Value programme The successful execution of the Delivering Value programme is the basis on which we will assess our progress in delivering our key priorities of managing working capital, cash, costs, investment capital and returns to our shareholders. There is a risk that we do not implement effective criteria against which to monitor, manage and report our progress in achieving the programme's aims and objectives.	The new divisional management structure is collectively responsible for delivering the Group's results and implementing Group-wide initiatives. Appropriate corporate planning processes are in place to ensure that our operating company and divisional strategies are adequately monitored and contribute to the Delivering Value goals. For further details see the Delivering Value section on pages 2 to 3.

Board of Directors

Daniel Bernard
Chairman ▲■
Joined the Board as Deputy Chairman in May 2006 before being appointed Chairman on 3 June 2009. He was Chairman and Chief Executive of Carrefour, the Paris-based retail group and world's second largest retailer, from 1992 to 2005. Prior to Carrefour, he was Chief Operating Officer of METRO, Germany's leading international retailer. He is President of Provestis, his own investment company and a Non-Executive Director of Alcatel Lucent and Capgemini. He is also President of the HEC Foundation in Paris. He was previously a Non-Executive Director of Compagnie de St Gobain until June 2006. Age 64.

Ian Cheshire
Group Chief Executive
Appointed to the Board in June 2000 and as Group Chief Executive in January 2008. He was previously Chief Executive, B&Q UK from June 2005. He was appointed Chief Executive International and Development in September 2002, Chief Executive of e-Kingfisher in May 2000 and was Group Director of Strategy & Development. Before joining Kingfisher he worked for a number of retail businesses including Sears plc where he was Group Commercial Director. He is also a member of the Corporate Leaders Group on Climate Change and a Member of the Employers' Forum on Disability President's Group. Age 50.

Kevin O'Byrne
Group Finance Director
Appointed to the Board as Group Finance Director in October 2008. He was previously Group Finance Director of DSG International for four years and prior to that its Retail Finance Director. From 2000 to 2002 he was Chief Financial Officer of Hemscott and between 1995 and 2000 he was European Finance Director at Quaker Oats Limited. He started his career at Arthur Andersen. He is also a Non-Executive Director and Chairman of the Audit Committee of Land Securities Group plc. Age 45.

John Nelson
Deputy Chairman and Senior Independent Director ●▲■
Appointed to the Board in January 2002 and succeeded Daniel Bernard as Deputy Chairman on 3 June 2009 whilst retaining his role as Senior Independent Director. He is Chairman of European real estate group, Hammerson plc, Senior Adviser to Charterhouse Capital Partners LLP and Director of Cazenove Group Limited and JP Morgan Cazenove Holdings Limited. He retired as Chairman of Credit Suisse First Boston (Europe) in 2002 and was formerly Vice Chairman of Lazard Brothers, Non-Executive Director of BT Group plc and Non-Executive Director of Woolwich plc. Age 62.

Andrew Bonfield
Non-Executive Director ●■
Appointed to the Board in February 2010. He was Chief Financial Officer of Cadbury Plc. Previously he was Chief Financial Officer of Bristol-Myers Squibb from 2002 to 2007, Finance Director of BG Group plc from 2001 to 2002 and Chief Financial Officer of SmithKline Beecham Plc from 1999 to 2000 during an 11 year period with the pharmaceuticals group. Age 47.

Anders Dahlvig
Non-Executive Director ●■
Appointed to the Board in December 2009. He was previously Chief Executive and President of The IKEA Group from 1999 to 2009, having spent 26 years with the company. Prior to becoming Chief Executive, he was Vice President of IKEA Europe from 1997 to 1999 and Managing Director of IKEA UK from 1993 to 1997. He is Chairman of The New Wave Group and a member of the Advisory Board of Lund University Business School. Age 52.

Michael Hepher
Non-Executive Director ●▲■
Appointed to the Board in September 1997. He is Non-Executive Director of Catlin Group Ltd, Canada Life (U.K.) Ltd and Great West Life Assurance Company. His former roles include Non-Executive Chairman of Lane, Clark and Peacock, Non-Executive Chairman of TeleCity plc, Chairman and Chief Executive of Charterhouse plc, Group Managing Director of BT plc and Non-Executive Director of Diageo plc and Lloyds Bank plc. Age 66.

Janis Kong
Non-Executive Director ▲■
Appointed to the Board in December 2006. She is a Non-Executive Director of Portmeirion Group PLC, NetworkRail and VisitBritain, and Chairman of the Board of Trustees of Forum for the Future. She was previously a Non-Executive Director of The Royal Bank of Scotland Group Plc and, until her retirement in March 2006, was a director of BAA plc and Chairman of Heathrow Airport Ltd for five years as well as being Chairman of Heathrow Express. Prior to that she was Managing Director of Gatwick Airport and has held a number of operational roles within BAA during her 33-year career with the company. Age 59.

● Audit Committee, ▲ Remuneration Committee, ■ Nomination Committee
See pages 35 to 36 for further details

Retail Board

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

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

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

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

04 Euan Sutherland
Chief Executive, B&Q and Kingfisher UK
Euan joined Kingfisher in June 2008 from AS Watson UK, owner of Superdrug and Savers, where he was Chief Executive. He has 17 years' experience at companies such as Boots, Mars, Coca-Cola, Matalan and DSG International.

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

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

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

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

09 Evelyn Gleeson
Group HR Director
Evelyn joined Kingfisher in April 2010 from BP where she was HR Director, Fuels Value Chains. Before BP, Evelyn spent nine years at Mars Incorporated in senior operational HR roles, having started her career in manufacturing operations.

10 Ian Harding
Group Communications Director
Ian is responsible for investor relations and media relations and has worked at Kingfisher for 14 years. He started his career in finance and spent eight years at PricewaterhouseCoopers before joining Kingfisher.

11 Véronique Laury-Deroubaix
Group Commercial Director
Véronique is responsible for Kingfisher's Group buying programmes including direct sourcing. Formerly Commercial Director at Castorama France, Véronique moved to her current role in February 2009. Previously, she spent 15 years at Leroy Merlin in various commercial roles.

12 Ian Playford
Group Property Director
Ian is responsible for managing Kingfisher's £3bn property portfolio. He joined Kingfisher in October 2009 from Parkridge Holdings, a property development and investment group, where he was CEO, Western Europe and Russia. Before joining Parkridge, Ian spent five years at King Sturge, the property investment consultants, and 12 years at Aviva Investors.

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

The directors present their report and audited financial statements for the financial year ended 30 January 2010.

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

Business review
The business review, which is set out on pages 1 to 28 provides a comprehensive review of the development, performance and future prospects of the Group's operations for the year ended 30 January 2010. The information set out in the business review is incorporated by reference into this report and is deemed to form part of this report.

Dividends
The directors recommend a final dividend of 3.575p (2008/09: 3.40p) per ordinary share amounting to £84m (2008/09: £80m) to be paid on 18 June 2010 to members appearing on the Register at the close of business on 7 May 2010. Together with the interim dividend of 1.925p (2008/09: 1.925p) per ordinary share, amounting to £45m (2008/09: £45m), paid on 12 November 2009, the total dividend for the year will be 5.50p (2008/09: 5.325p) per ordinary share, amounting to £129m (2008/09: £125m).

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

Peter Jackson, Hartmut Krämer and Phil Bentley retired as non-executive directors on 3 June 2009, 23 October 2009 and 17 March 2010 respectively, and Michael Hepher, who has served on the Board as a non-executive director for over 12 years will retire at the conclusion of the AGM on 17 June 2010. Anders Dahlvig and Andrew Bonfield joined the Board as non-executive directors on 16 December 2009 and 11 February 2010 respectively and will seek election to the Board at the AGM. In accordance with the Company's Articles of Association, Daniel Bernard and Janis Kong will retire by rotation and will seek re-election to the Board at the AGM.

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 2009/10 financial year. The Company has also purchased and maintained Directors' and Officers' liability insurance throughout 2009/10. Neither the indemnities nor the insurance provide cover in the event that the director concerned is proved to have acted fraudulently.

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

Risk identification, assessment and management
A summary of the Group's position regarding risk identification, assessment and management is contained in the Risks section on pages 26 to 28.

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 Company 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 our performance and ensure that all customer comments are analysed, responded to and acted upon.

Across the Group, women accounted for 41% of total employees and 29% of managers in 2009/10. B&Q UK continued its long-established policy of promoting age diversity, with around a quarter of its employees aged over 50.

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

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

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

Charitable donations
Kingfisher and its subsidiaries made contributions to charity/community projects worth an estimated £941,000 during the financial year ended 30 January 2010 – equivalent to 0.2% of pre-tax profits. This included cash donations (£417,000) and gifts-in-kind (£376,000 – retail cost). Support was also given through the donation of time by employees (£148,000).

Political donations
The Board annually seeks and obtains shareholders' approval to enable the Group to make donations to or incur expenditure in relation to EU political parties, other political organisations or independent election candidates under section 366 of the Companies Act 2006. The approval given in 2009 restricted such expenditure to an aggregate limit of £75,000 during the period of 12 months following the date of the AGM.

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

Supplier payment policy

The Company does not impose standard payment terms on its suppliers but agrees specific terms with each of them, and then pays in accordance with those terms. On average, the Company's suppliers are paid in 45 days.

Significant agreements – change of control

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

- the £500 million credit facility dated 15 March 2005 between, the Company, HSBC Bank plc (as the facility agent) and the banks named therein as lenders, which contains a provision such that in the event of a change of control, any lender may, if they so require, notify the agent that they wish to cancel their commitment whereupon the commitment of that lender will be cancelled and all their outstanding loans, together with accrued interest, will become immediately due and payable;
- the US$466.5 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 €243 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 plans may cause options and awards granted under such plans to vest on a takeover.

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

Share capital

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

The rights and obligations attaching to the Company's ordinary shares, in addition to those conferred on their holders by law, are set out in the Company's Articles of Association, copies of which can be obtained from Companies House in the UK, the Company's website or by writing to the Company Secretary. The holders of ordinary shares are entitled to receive the Company's reports and accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights.

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

Authority to purchase own shares

At the 2009 AGM, shareholders approved a resolution for the Company to make purchases of its own shares to a maximum number of 236,083,523 ordinary shares. This resolution remains valid until the conclusion of this year's AGM on 17 June 2010. As at 1 February 2010, the directors had not used this authority. Kingfisher's present intention is to cancel any shares acquired under such authority, unless purchased to satisfy outstanding awards under employee share incentive plans. A further resolution will be proposed at this year's AGM to renew this authority.

Issue of shares

At the 2009 AGM, shareholders approved a resolution to give the directors authority to allot shares up to an aggregate nominal value of £123,662,752. In addition, shareholders approved a resolution to a give the directors authority to allot up to a nominal amount of £247,325,505 in connection with an offer by way of a rights issue in accordance with ABI guidance. If this additional allotment authority is used, the ABI guidance will be followed and, if appropriate, all the directors of the Company will retire at the next AGM and submit themselves for re-election. The directors have no present intention to issue ordinary shares, other than pursuant to employee share schemes and pursuant to the dividend re-investment plan. These resolutions remain valid until the conclusion of this year's AGM when resolutions will be proposed to renew these authorities.

Major shareholders

As at 24 March 2010, the Company had been notified in accordance with the Disclosure and Transparency Rules of the UK Financial Services Authority of the following interests in the Company's shares:

Company	Number of shares held	% of issued share capital held[1]
Templeton Global Advisers Ltd	187,068,934	7.92%
Thornburg Investment Management Inc	118,577,516	5.02%
Brandes Investment Partners LP[2]	117,705,785	4.98%
AXA S.A. Group	115,684,095	4.90%
Capital Research & Management Company	115,710,349	4.90%
Legal & General Group plc	94,243,883	3.99%

1 The Total issued share capital as at 24 March 2010 was: 2,361,686,652 shares of $15^{5}/_{7}$ pence each

2 Interest held as 88,083,421 ordinary shares and 14,811,182 ADRs representing 29,622,364 ordinary shares

Annual General Meeting

The 2010 Annual General Meeting of the Company will be held on 17 June 2010 at the Hilton London Paddington Hotel, Paddington at 11:00am. A full description of the business to be conducted at the meeting is set out in the separate Notice of Annual General Meeting.

By order of the Board

Nick Folland
Company Secretary
24 March 2010

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 the Company and the Kingfisher Group have adequate resources to continue in operational existence for the next financial year and the foreseeable future. For this reason they continue to adopt the going concern basis in preparing these financial statements. Further details of the Group's liquidity are detailed in the financial review on page 19.

Disclosure of information to auditors

Each person who is a director at the date of approval of this report confirms that, so far as he or she is aware: there is no relevant audit information (as defined by section 391(2) of the Companies Act 2006) of which the Company's auditors are unaware; and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Responsibility for preparing financial statements

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

UK company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 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 judgments 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- 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 IFRSs 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 Company'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

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the business review, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Nick Folland
Company Secretary
24 March 2010

Corporate governance

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

Compliance with the Combined Code

As a UK listed company, Kingfisher plc is required to state whether it has complied with the provisions set out in Section 1 of the UK Financial Reporting Council's 2008 Combined Code on Corporate Governance (the Combined Code) throughout the year and, where the provisions have not been complied with, to provide an explanation. The Company is also required to explain how it has applied the principles set out in Section 1 of the Combined Code. The Board considers that throughout the year ended 30 January 2010, and as at the date of this Annual Report, the Company was compliant with the provisions of, and applied the principles of Section 1 of the Combined Code. The following section together with the directors' report on pages 31 to 33, and the directors' remuneration report on pages 41 to 53, provides details of how the Company applies the principles and complies with the provisions of the Combined Code.

Other listings

The Company has entered into a sponsored level one American Depositary Receipt programme with the Bank of New York Mellon, under which the Company's shares are traded on the over-the-counter market in the form of American Depositary Receipts.

On 29 December 2009, the Company delisted its ordinary shares from the list of financial instruments admitted to trading on NYSE Euronext Paris. The decision to delist the shares from NYSE Euronext Paris was motivated primarily by low trading volumes experienced over the past few years.

The Board

The role of the Board

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

The Board has a formal schedule of matters specifically reserved for its approval, which is available on the Company's website. The schedule is reviewed periodically and includes the following matters:

- Group strategy, three-year plans and annual budgets;
- major acquisitions or divestments of companies and business;
- major changes to the capital structure including tax and treasury management;
- changes to accounting policies or practices;
- approval of all financial announcements, the annual report and accounts and shareholder communications;
- the system of internal control and risk management policy; and
- review of management development strategy.

The Board has delegated authority to its committees to carry out certain tasks as defined in their written terms of reference. Additional information on the responsibilities of each of the Board committees is set out on pages 37 to 38.

Board meetings

The Board holds regular scheduled meetings throughout the year. Unscheduled supplementary meetings also take place as and when necessary. These meetings are structured to allow open discussion. All directors participate in discussing the strategy, trading and financial performance and risk management of the Company. Comprehensive briefing papers are circulated to all directors approximately one week before each meeting. Those directors who were unable to attend a particular meeting during the year reviewed the relevant briefing papers and were given the opportunity to discuss any issues with the Chairman or the Group Chief Executive.

Board and committee meeting attendance

The following table shows the number of years directors have been on the Board as at 1 February 2010 and their attendance at the scheduled Board and committee meetings which they were eligible to attend during the 2009/10 financial year:

		Scheduled Board meetings		Audit Committee meetings		Remuneration Committee meetings		Nomination Committee meetings	
	Years on Board	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Peter Jackson [1]	n/a	2	2	–	–	2	2	2	2
Daniel Bernard [2]	3	9	9	2	2	5	5	4	4
Ian Cheshire	9	9	9	–	–	–	–	–	–
Kevin O'Byrne	1	9	9	–	–	–	–	–	–
Phil Bentley	n/a	9	9	6	6	–	–	4	4
Anders Dahlvig [3]	0	1	1	1	1	–	–	–	–
Michael Hepher	12	6	9	6	6	6	7	2	4
Janis Kong	3	8	9	–	–	6	7	3	4
Hartmut Krämer [4]	n/a	3	6	–	–	–	–	2	3
John Nelson	8	9	9	6	6	7	7	4	4

1 Retired from the Board and Board committees with effect from 3 June 2009.
2 Resigned from Audit Committee and was appointed to the Remuneration Committee from 3 June 2009, being the date of appointment as Chairman of Kingfisher plc.
3 Appointed to the Board and as a member of the Audit Committee with effect from 16 December 2009.
4 Retired from the Board and Board committees with effect from 23 October 2009.
5 Andrew Bonfield was appointed to the Board and as a member of the Audit Committee with effect from 11 February 2010 and therefore does not appear in the above table of attendance.

Board constitution, appointments and independence

The Board is made up of two executive directors, five non-executive directors and a non-executive Chairman. The executive and non-executive directors are equal members of the Board and have overall collective responsibility for the direction of the Company. The current directors' biographical details are set out on page 29.

There is a clear division of responsibilities between the Chairman and the Group Chief Executive, which has been approved by the Board and is available on the Company's website. The Chairman is responsible for the overall operation, leadership and governance of the Board. He is also responsible for ensuring that all members of the Board develop an understanding of the views of major shareholders and that there is an open dialogue with shareholders. The Group Chief Executive is responsible for all executive management of the Group's business, consistent with the strategy and commercial objectives agreed by the Board.

At the conclusion of the AGM held on 3 June 2009, Peter Jackson retired as Chairman of the Board and Daniel Bernard succeeded him in this role. At that time, John Nelson assumed the role of Deputy Chairman in addition to his existing responsibilities as Senior Independent Director. The Senior Independent Director is available for approach or representation from significant shareholders who may feel inhibited from raising issues with the Chairman. He is also responsible for conducting an annual review of the performance of the Chairman and, in the event it should be necessary, convening a meeting of the non-executive directors. Peter Jackson, Hartmut Krämer and Phil Bentley retired as non-executive directors on 3 June 2009, 23 October 2009 and 17 March 2010 respectively, and Michael Hepher, who has served on the Board as a non-executive director for 12 years will retire at the conclusion of the AGM to be held on 17 June 2010.

The non-executive directors of the Company play a key governance role and bring an external dimension to the Board's deliberations. During the year, the Board considered the independence of each non-executive director (other than the Chairman, who was deemed independent by the Board at the date of his appointment) against the criteria specified in the Combined Code and determined that each remained fully independent.

Appointments to the Board

There is a formal, rigorous and transparent procedure for the appointment of new directors to the Board and this is described in the section on the Nomination Committee on page 38. The procedure was followed during the selection and appointment of Anders Dahlvig and Andrew Bonfield, who joined the Board as non-executive directors on 16 December 2009 and 11 February 2010, respectively. The terms and conditions of appointment of each of the non-executive directors are available for inspection at the Company's registered office and will also be available for inspection at the AGM from 15 minutes before the meeting until its conclusion. Individual non-executive directors are able to serve up to three three-year terms. At the end of each three-year term, an analysis is undertaken to ensure that the relevant directors continue to make an effective and valuable contribution to the Board and demonstrate an appropriate commitment to their role.

Board effectiveness

Directors' conflicts of interest

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

Board development

All new directors appointed to the Board receive 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 culture and operations. In particular, the programme includes:

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

Subsequent training is also available to directors on an ongoing basis. Directors are briefed on issues arising at Board and committee meetings and have full and timely access to relevant information ahead of each meeting. The Board meeting briefing papers include updates from the Group Chief Executive, the Group Finance Director and the Company Secretary. In particular, the Board received updates on the following activities during the year: trading results; key management changes; capital structure; returns; financial plans; and legal and regulatory updates. The Board programme includes presentations from management on particular issues and site visits including overseas operations. The non-executive directors periodically visit different Group companies and are provided with briefings and information to assist them in performing their duties. The Board also receives regular reports addressing issues and concerns raised by the Company's institutional shareholders. This process allows the directors to develop the necessary understanding of the views of these shareholders and also enables the Board to judge whether investors have a sufficient understanding of the Company'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 Company's expense in the furtherance of their duties.

Performance evaluation and director re-election

During the year, the Board considered the output from its own performance evaluation and that of its committees, which was carried out during January 2009. The annual performance evaluation is conducted within the terms of reference of the Nomination Committee with the aim of improving directors' individual contributions, Board and committee effectiveness, and the Group's performance. The internal process was led by the Chairman and facilitated by the Company Secretary and involved the use of an online questionnaire with specific questions relevant to the Company. The performance assessment of the non-executive directors and the Group Chief Executive was carried out by the Chairman during the year. In addition, the Group Chief Executive conducted the performance review of the Group Finance Director and the Senior Independent Director conducted the performance review of the Chairman.

The individual evaluations found the performance of each director to be effective and concluded that the Board and its committees continue to operate effectively. The Board confirmed that the contributions made by each director offering themselves for re-election at the AGM on 17 June 2010 continued to be effective and that the Company should support their re-election. The details of directors seeking re-election and election at the 2010 AGM are set out in the separate Notice of Annual General Meeting.

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 evaluation as the basis of his individual meetings with directors.

The Board will consider the use of an external facilitator to carry out an independent Board evaluation during the year ahead.

Board committees

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

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

Audit Committee
The current members of the Audit Committee are Andrew Bonfield (Chairman), Anders Dahlvig, Michael Hepher and John Nelson. Phil Bentley retired from the Board and therefore the Audit Committee on 17 March 2010 and was replaced as chairman of the Audit Committee by Andrew Bonfield on this date. Daniel Bernard resigned as a member of the Committee following his appointment as Chairman of the Board on 3 June 2009. In accordance with the requirements of the Combined Code, Andrew Bonfield is designated as the committee member with recent and relevant financial experience. The Audit Committee is comprised of members having the necessary ability and experience to understand financial statements.

Under its terms of reference, which are available on the Company's website, the Audit Committee is required, amongst other things to:
- monitor the integrity of the financial statements of the Company;
- review, understand and evaluate the Company's financial, risk, and other internal controls and their associated systems;
- monitor and review the effectiveness of the Company's internal audit function on an annual basis;
- oversee the relationship with the external auditors, making recommendations to the Board in relation to the appointment, remuneration and terms of engagement; and
- monitor and review the external auditor's independence, objectivity and effectiveness and to approve the policy on the engagement of the external auditor to supply non-audit services.

At each of its meetings, the Audit Committee meets separately with the external auditors and the Group Audit & Risk Management Director without management being present. Further details on the work of the Audit Committee can be found under Auditors and the Audit Committee report on pages 40 and 54 respectively.

Nomination Committee
The current members of the Nomination Committee are Daniel Bernard (Chairman), Andrew Bonfield, Anders Dahlvig, Michael Hepher, Janis Kong and John Nelson.

The primary purpose of the Nomination Committee is to lead the process for Board appointments and to make recommendations for maintaining an appropriate balance of skills on the Board. In particular, the Nomination Committee:
- reviews the structure, size and composition of the Board and makes recommendations to the Board, as appropriate;
- identifies the balance of skills, knowledge and experience on the Board and nominates candidates to fill Board vacancies;
- reviews the time required from a non-executive director;
- considers succession planning, taking into account the challenges and opportunities facing the Group and the future skills and expertise needed on the Board; and
- reviews the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.

The Nomination Committee meets periodically when required and external advisers may be invited to attend. Following a rigorous search and selection process carried out with the assistance of specialist recruitment consultants, the Nomination Committee considered the proposed appointments of Anders Dahlvig and Andrew Bonfield as additional non-executive directors. In making its appointment recommendations to the Board, the committee reviewed the overall balance of skills, knowledge and experience on the Board against current and future requirements of the Company.

Remuneration Committee
A report detailing the composition, responsibilities and work carried out by the Remuneration Committee during the year, including an explanation of how it applied the principles of the Combined Code in setting executive directors' remuneration, is included within the directors' remuneration report on pages 41 to 53.

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

The Retail Board is responsible for the day-to-day management of the Group's businesses and the overall financial performance of the Group in fulfilment of strategy, plans and budgets. It is also responsible for making recommendations on:
- monthly Group trading performance;
- the Group's capital structure and funding;
- capital expenditure proposals, major acquisitions or disposals of businesses;
- the Group's key risks;
- management development and senior executive succession plans;
- the Group's corporate responsibility programme; and
- the individual progress of operating companies.

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 his appointment and removal is one of the matters reserved to the Board.

Accountability, risk management and internal control

The Board considers risk assessment, identification of mitigating actions and internal control to be fundamental to achieving the Company's strategic corporate objectives. This system of internal control is:

- the Board's overall responsibility;
- annually reviewed for its effectiveness by both the Board and the Audit Committee; and
- in compliance with the Turnbull Guidance 2005.

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

The Board has approved a set of policies, procedures and frameworks for effective internal control that implement the Turnbull Guidance, 'Internal Control: Revised Guidance for Directors on the Combined Code', for the year under review and to the date of approval of this Annual Report. These procedures are subject to regular review and provide an ongoing process for identifying, evaluating and managing the significant risks faced by the Group.

The internal audit function:

- works with the operating companies to develop, improve and embed risk management tools and processes into their business operations;
- oversees the operation of the individual operating businesses' audit committees;
- ensures that business risks are identified, managed and regularly reviewed by management at all levels of the Group and that directors are periodically appraised of the key risks in accordance with the Turnbull Guidance 2005;
- provides the Audit Committee and the Board with objective assurance on the control environment across the Group; and
- monitors adherence to the Group's key policies and principles.

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 through the Retail Board, which 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.

Monitoring and review activities

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

- a formal quarterly confirmation provided by the finance director of each operating company certifying the operation of their control systems and highlighting any weaknesses, the results of which are reviewed by regional management, the Audit Committee and the Board; and
- periodic examination of business processes on a risk basis including reports on controls throughout the Group undertaken by the internal audit function which reports directly to the Audit Committee.

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

The Board confirms that it has reviewed the effectiveness of the internal control system, including financial, operational and compliance controls and risk management in accordance with the Combined Code for the period from 1 February 2009 to the date of approval of this Annual Report. Following this review, the Board is satisfied that the system of internal control is effective.

Auditors

During the year, the Company reviewed the services of its existing auditors, PricewaterhouseCoopers LLP, and following a tender, appointed Deloitte LLP to serve as its statutory auditors until the conclusion of the 2010 AGM. A resolution proposing the appointment of Deloitte LLP as auditors to the Company will be put to the 2010 AGM.

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

Each of the Group's businesses is consulted on the effectiveness and independence of the auditors annually. In addition, the auditors provide the Audit Committee with a schedule of each matter on which there was an initial difference between them and management in relation to the accounting treatment, 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, Deloitte LLP is also employed where, as a result of its position as 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.

During the year, PricewaterhouseCoopers LLP charged the Group £nil (2008/09: £2.3 million) for audit and audit-related services and a further £0.4 million (2008/09: £0.9 million) for non-audit services. In addition, Deloitte LLP charged the Group £1.3 million for audit and audit-related services and a further £0.3 million 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 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 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.

The principal means of communication with private investors is by electronic communications and through the AGM, 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 Board as well as the chairmen of the Board committees. After the AGM, shareholders have the opportunity to meet informally with directors.

A summary business presentation is given at the AGM before the Chairman deals with the formal business of the meeting. At the AGM on 17 June 2010, the Chairman will use his discretion to call for a poll on all substantive 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 news service shortly after the conclusion of the AGM.

Directors' remuneration report

The Board presents its remuneration report for 2009/10, which has been prepared on the recommendation of the Remuneration Committee (Committee) and sets out the policy and disclosures on directors' remuneration as required by the Companies Act 2006 (and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made thereunder).

In addition to these requirements, the Committee has followed the principles set out in the Combined Code, and complied with the Listing Rules of the UK Listing Authority.

The remuneration report is structured as follows:

Commencing with the section titled 'Executive directors' remuneration', the information set out on pages 47 to 53 of this Report represents the auditable disclosures referred to in the Auditors' report on page 95.

A resolution will be put to the shareholders at the Annual General Meeting on 17 June 2010 asking them to approve this report.

Highlights

- The Committee approved the executive directors' request to defer any review of their basic salaries from 1 August 2009 until 31 January 2010 (the start of the next financial year) when there was more certainty of the Company's trading and the inflation environment.

- The deferral of the executive directors' base pay review was in line with action taken elsewhere in the Group, and the increase subsequently awarded was below the general level of award made by the operating companies.

- The Committee has agreed UK employees may in future take advantage of opportunities offered by HMRC-approved share scheme arrangements. Such arrangements will also allow the Company to benefit from the reduction in its costs associated with such schemes. Accordingly the Committee agreed to amend the way in which awards under the Kingfisher Incentive Share Scheme (the KIS Share scheme) may be granted, by including the grant of an option under a Company Share Option Plan, but such that the total value of shares awarded are unchanged.

- The Committee has proposed to the directors the establishment of a Share Incentive Plan (SIP). A motion seeking shareholder approval for the establishment of a SIP is included in the Notice of the forthcoming Annual General Meeting.

- Despite the global economic weakness the Company produced exceptional results in terms of cashflow and reduction in net debt such that the financial outcomes exceeded the financial targets that had been set. Significant progress was also made in the non-financial measures. Ian Cheshire received a bonus of 197.4%, representing 98.7% of his maximum opportunity (2008: 75%) and Kevin O'Byrne received a bonus of 197.4%, representing 98.7% of his maximum opportunity (2008: 80% pro-rated to four months' service during the year). A third of these bonuses are in the form of deferred shares, which vest subject to meeting performance conditions after a three-year holding period. These percentage levels of bonus are commensurate with the level of bonus paid elsewhere in the Group.

- The Committee deliberated the findings of the Walker Review to the extent that they were relevant to Kingfisher and determined that the structure in place was already broadly in line with those recommendations, including bonus deferral and a significant proportion of executive directors' remuneration being delivered in shares. An amendment has been made to the rules of the deferred share arrangement such that future share awards could be lapsed by the Committee should it determine that an executive was awarded them in relation to a bonus deemed, with hindsight, to have been unjustified.

- The Committee is not proposing any major adjustments to Kingfisher's executive remuneration structure for the coming year, although it has agreed to review the structure for continued appropriateness with a view to any changes being implemented in 2011/12. It has further approved stretching financial targets for 2010/11.

- Daniel Bernard, previously Deputy Chairman, became Chairman on 3 June 2009 and John Nelson became Deputy Chairman, in addition to his duties as Senior Independent Director, on the same date. We also welcomed Anders Dahlvig to the Board on 16 December 2009. Details of their terms of appointment and their remuneration can be found later in this report.

The Remuneration Committee

Membership

The Committee consists entirely of independent non-executive directors. During the year the Committee comprised the following non-executive directors:

Chairman	John Nelson
Committee members	Daniel Bernard (appointed 3 June 2009) Michael Hepher Peter Jackson (retired 3 June 2009) Janis Kong
Secretary	Nick Folland

No member of the Committee has any personal financial interest (other than as a shareholder), conflicts of interests arising from cross-directorships, or day-to-day involvement in running the business. No director plays a part in any discussion about his or her own remuneration.

Committee meetings are attended by the Group Chief Executive (other than when his own remuneration is being discussed) who provides advice that is of material assistance to the Committee. The Group HR Director (until his retirement on 30 April 2009) and the Head of Group Reward also attend Committee meetings and provide material assistance and advice on remuneration policy, and the Group Finance Director attended by invitation on matters relating to the performance measures and targets for the Group's incentive plans. The Legal and Corporate Responsibility Director acted as Secretary to the Committee.

The Committee also has authority to obtain the advice of external independent remuneration consultants and is solely responsible for their appointment, retention and termination, and for approval of the basis of their fees and other terms. In the year to 30 January 2010, the following external advisers provided services to the Committee:

Hewitt New Bridge Street (HNBS)	Advice on the ongoing operation of employee and executive share plans and executive remuneration generally.
Allen & Overy LLP	Legal advice on service and employment contracts and for other employment and remuneration issues in relation to executive directors. (They also provide advice to the Company 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. (They also provide advice to the Company on pensions and related matters).

Responsibilities

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

The Committee's primary purpose is to make recommendations to the Board on the Company's framework and broad policy for executive remuneration and its costs. The Committee also has delegated responsibility for determining the remuneration and benefits of executive directors, the Chairman and certain senior executives. The remuneration of non-executive directors is determined by the Chairman and executive members of the Board.

Activities

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. In addition to these standing items, the Committee discusses matters relating to the operation of the remuneration policy and emerging market practices. In 2009/10 the Committee met seven times and agreed:

- the performance targets for the year and progress against those targets;
- the operation of the long-term incentive plans and policy for executive share scheme grants, including the level of individual grants and performance conditions;
- the policy for the operation of the employee share schemes;
- the award of annual incentives based on the prior year's performance;

and in particular the Committee:

- recommended the 2008/09 directors' remuneration report for approval by the directors;
- amended the scheme rules of the Store Management Incentive Share Scheme 2008 for French employees to accommodate a more favourable tax treatment for the plan under French legislation (benefitting both employer and employees);
- revised the contracts for members of the UK Kingfisher Leadership Group (KLG) to take account of regulatory changes, tightening the wording relating to restrictive covenants and liability under directors' and officers' liability insurance;
- amended the KIS Share scheme rules to incorporate clawback provisions relating to the vesting of deferred shares in situations where, with hindsight, the grant of shares three years previously was not justified;
- agreed to amend the way in which awards under the KIS Share scheme may be granted, by including the grant of an option under a Company Share Option Plan which is subject to HMRC approval; and
- recommended to the directors the establishment of a Share Incentive Plan, subject to shareholder and HMRC approval.

Remuneration policy

The Company's remuneration strategy is to attract, retain and motivate executives of the highest quality to deliver Kingfisher's business plan.

The key principles of the Company'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 superior performance;
- be competitive in the market in which the Company competes;
- be fair and transparent; and
- ensure remuneration arrangements apply consistently throughout the Group.

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

Alignment with shareholder interests

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

Executive	Minimum Shareholding
Group Chief Executive (Ian Cheshire)	200%
Other Executive Directors (Kevin O'Byrne)	100%
Kingfisher Leadership Group (c45 senior executives)	50%

Alignment with Group strategy

The executive directors are incentivised to deliver milestones addressing the Company's strategic plans for 'Delivering Value' to:
- drive up B&Q UK & Ireland's profit;
- exploit our UK Trade opportunity;
- expand our total French business;
- roll out in Eastern Europe;
- turn around B&Q China;
- grow Group sourcing; and
- reduce working capital.

Please see the page index on the inside of the front cover for further information on progress made in achieving the Group strategy.

Planned future changes

The Committee has recommended that the way awards under the KIS Share Scheme may be granted be amended, by including, as a part of the overall award, the grant of an option under a Company Share Option Plan (as approved by HMRC). Such an option could only be granted to a participant under the KIS Share Scheme as part of his total award, but such that the total value of shares awarded are unchanged. The Committee has also recommended the implementation of a Share Incentive Plan subject to HMRC approval and shareholder approval. Subject to receiving the relevant consents the schemes will be rolled out in the course of 2010/11. The grant of an option under the Company Share Option Plan as part of the fixed value award of shares granted under the KIS Share Scheme, provides potential NIC saving for Kingfisher as well as tax and NIC advantages for executives in using a Company Share Option Plan to deliver part of the Kingfisher Incentive Share Scheme awards. Full details of the proposed Share Incentive Plan are set out in the Notice of Annual General Meeting.

The broad structure for remuneration for executives was debated and remains unchanged, whereby 50% of the annual bonus is measured against financial targets, and 50% against non-financial targets. In addition there is no change to the level of maximum bonus opportunity of 200% of annual salary, or to the annual level of award of 200% of salary under the long-term incentive. However, executive directors' salaries will be reviewed on 31 January each year in future.

For the year 2010/11, the specific financial measure under the annual bonus has been set as Group operating cashflow. In 2009/10, Group net debt was also a measure but given the significant progress during the year it is felt inappropriate to include this measure again for 2010/11, whereas good cash management, particularly continuing the work on working capital, remains a key focus.

Executive directors' appointment, terms & remuneration

Executive directors' service contracts

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

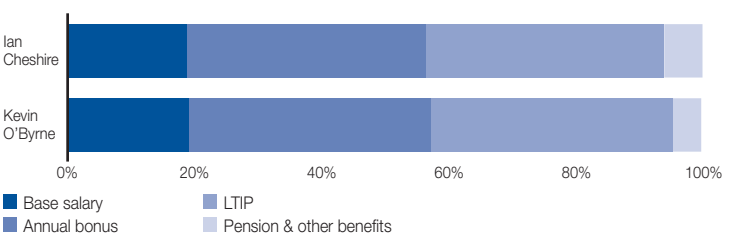
1 The terms of the liquidated damages clauses appearing in the service contracts of Ian Cheshire and Kevin O'Byrne are in keeping with the governance guidelines at the time the contracts were made. The Committee will keep its policy under review when appointing new directors and will carefully consider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

Overview of executive directors' remuneration

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

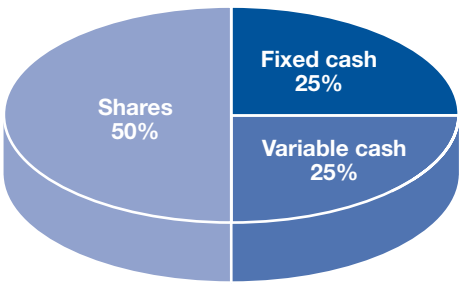
Table 1 below shows the breakdown of the remuneration package into its main constituent elements and assumes maximum payment of annual bonus and maximum vesting of PSP deferred shares, the Company's long term incentive plan.

Table 1

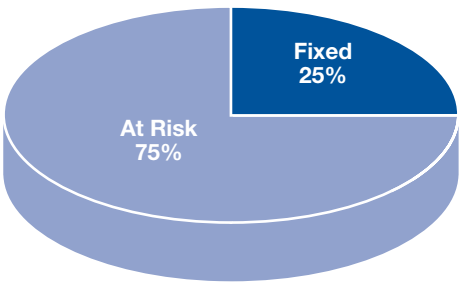


The first pie chart below gives the proportions of fixed cash, variable cash and shares which make up the executive directors' salary, bonus and long term incentive opportunity according to achievement of objectives at stretch. Fixed cash includes basic salary, whilst variable cash is the 67% of annual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

Remuneration Elements split between cash and shares at Stretch



Fixed & 'At Risk' Elements of Remuneration at Stretch



Note: the fixed elements in the pie charts above include pensions and benefits.

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

Components of executive directors' remuneration
Details of each individual element of the remuneration package are given below.

Base salary
Executive salaries are normally revised with effect from 1 August each year, taking into account the prevailing market and economic conditions, affordability, the level of increases awarded to staff generally and the individual's contribution. In 2009/10 the executive directors requested that, in view of the uncertain economic climate, their annual salary review be deferred pending the outcome of Group trading. This deferral matched the freeze placed on the basic salaries of the Kingfisher Leadership Group and other senior managers in the Group. As a consequence Ian Cheshire and Kevin O'Byrne did not receive an increase in their base salaries during the 2009/10 financial year.

Following the deferral of the pay review from 1 August 2009 to 31 January 2010, the Committee agreed that executive salaries will be reviewed on 31 January each year in future. The annual base salaries of the executive directors as at 24 March 2010 are £816,000 for Ian Cheshire and £586,500 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 Kingfisher Incentive Scheme (KIS).

The KIS comprises the Kingfisher Cash Incentive Scheme 2003 (KIS Cash scheme) and the Kingfisher Incentive Share Scheme 2003 (KIS Share scheme). Under these arrangements senior executives may receive a performance-related cash bonus under the KIS Cash scheme, and a contingent share award under the KIS Share scheme (deferred shares), in the proportions of 67% of the bonuses earned being payable in cash, and the 33% balance paid in deferred shares. The deferred shares are normally subject to a three-year holding period before they vest, with the shares being subject to forfeiture should the executive leave Kingfisher during the holding period as a result of voluntary resignation or dismissal for cause. Participants who are 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 amount of dividends that would have been earned over the holding period. These additional shares are subject to the original deferred shares vesting.

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

The executive directors' targets for the 2009/10 bonus were based on both corporate and individual objectives and were structured equally between financial and non-financial measures, as in the previous year. In 2009/10, the Committee considered the potential for the global economic weakness to worsen and agreed the two financial measures for the year would be: reduction of Group net debt with the overall aim to achieve self-financing in the year, and cash generation, together having 50% of the maximum bonus opportunity. The non-financial measures were also amended to uplift the weighting on KPIs to 30% from 20% of the maximum bonus opportunity, and the corresponding reduction in the weighting of personal performance objectives from 30% to 20% of the maximum bonus opportunity.

Measure	Group Net Debt	Cash flow	Personal Performance	KPIs
Weighting at maximum bonus	25%	25%	20%	30%

The non-financial measures included corporate key performance indicators (KPIs) aligned to Kingfisher's seven steps to 'Delivering Value', plus additional targets addressing improvements in internal financial controls and employee engagement, and personal performance.

The outcomes achieved against each measure are summarised below.

Measure	Ian Cheshire Actual Bonus Earned as a % of Annual Basic Salary	Kevin O'Byrne Actual Bonus Earned as a % of Annual Basic Salary
Financial Objectives	100	100
Non-Financial Objectives	97.4	97.4
Total	197.4	197.4

Further details of the awards under the KIS Cash and KIS Share scheme reflecting these outcomes for 2009/10 are set out on pages 47 and 48.

The structure of the bonus plan for 2010/11 will remain broadly the same, although the only financial objective will be Group operating cashflow.

Long-term incentive

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

The TSR and EPS performance targets for all PSP awards for the 2009/10 year were:

	TSR performance target		**EPS performance target**
50% TSR at the end of the Performance Period	Percentage of this part of the award of performance shares that will vest	50% EPS at the end of the Performance Period	Percentage of this part of the award of performance shares that will vest
Less than median plus 1 percentage point	Nil	Less than 15.9p	Nil
Median plus 1 percentage point	15.625%	15.9p	15.625%
Between median plus 1 percentage point and upper quintile plus 1 percentage point	Straight-line vesting between 15.625% and 100%	Between 15.9p and 17.0p	Straight-line vesting between 5.625% – 50%
Upper quintile plus 1 percentage point	100%	17.0p	50%
		Between 17.0p and 19.6p	Straight-line vesting between 50% – 100%
		19.6p	100%

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

Under the KIS Multiplier, awards made in 2006 to Ian Cheshire lapsed during the year as the TSR of the Company over the subsequent three years was below the median of the comparator group. Details are set out on page 50.

Under the PSP, the annual grant of provisional awards of Performance Shares to executive directors are made after the publication of the annual results. Details of the awards granted during 2009/10 in respect of the prior year are set out on page 49. Details of awards made in respect of the 2009/10 year will be reported in the 2010/11 report. The awards will continue to be split between EPS and TSR, however EPS targets to 2013 have been agreed as follows:

	TSR performance target		**EPS performance target**
50% TSR at the end of the Performance Period	Percentage of this part of the award of performance shares that will vest	50% EPS at the end of the Performance Period	Percentage of this part of the award of performance shares that will vest
Less than median plus 1 percentage point	Nil	Less than 20p	Nil
Median plus 1 percentage point	15.625%	Between 20p and 23p	Straight-line vesting between 15.625% – 100%
Between median plus 1 percentage point and upper quintile plus 1 percentage point	Straight-line vesting between 15.625% and 100%	23p	100%
Upper quintile plus 1 percentage point	100%		

Other long-term incentive plans

Apart from the Save As You Earn Option Scheme and those described above, all other option and incentive arrangements have been discontinued, but awards made under these schemes in previous years will vest over time in accordance with the rules governing the various plans. The details are shown in the section entitled Closed Incentive Plans on page 50.

Pension provision

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

Share ownership guidelines

The Group Chief Executive and Group Finance Director are required to build a shareholding in the Company equivalent to 200% of base salary and 100% of base salary respectively. Kevin O'Byrne has a five-year period from the date of his appointment as Group Finance Director, on 1 October 2008, to accumulate his threshold shareholding, whilst Ian Cheshire has five years from the date of his appointment as Group Chief Executive, on 24 January 2008, to increase his shareholding in order to meet the new threshold shareholding equal to 200% of base salary. Shares which have not yet vested under long term incentive plans are not taken into account in applying this test.

Under the Company's formal share ownership guidelines, Ian Cheshire and Kevin O'Byrne are prohibited from selling shares obtained through the KIS Share scheme and long-term incentive plans including the PSP (except to meet tax obligations) until they meet this minimum holding. The Committee believes that this requirement will ensure that executives acquire a significant personal interest in Kingfisher shares, effectively aligning executives' and shareholders' interests and encouraging a long-term view of performance.

As at 29 January 2010, based on that day's closing price of 212.3p, Ian Cheshire's shareholding of 410,792 shares represented 109% of his basic salary of £800,000 (his holding of 375,177 shares at 1 February 2009 represented 99.6% of his basic salary of £800,000 using the 29 January 2010 share price). Kevin O'Byrne's shareholding of 112,994 shares represented 41.7% of his basic salary of £575,000 (his holding of 112,994 shares at 1 February 2009 represented 41.7% of his basic salary of £575,000 using the 29 January 2010 share price).

Executive directors' remuneration

The remuneration paid to the executive directors for the 2009/10 financial year is set out in the table below:

				Total remuneration[1]	
£000	Base salary	Total benefits[2]	Cash bonus[3,4]	2009/10	2008/09
Ian Cheshire	800.0	239.1	1,073.7	2,112.8	1,636.9
Kevin O'Byrne	575.0	143.1	771.8	1,489.9	709.9[5,6]
Total	1,375.0	382.2	1,845.5	3,602.7	2,346.8

1 The long-term incentive plan did not meet performance conditions in 2009/10 and did not vest. Accordingly, the long-term incentive plan does not figure in the table of executive directors' remuneration.
2 Total benefits include a contribution to defined contribution pension arrangements for both Ian Cheshire and Kevin O'Byrne. Non-cash benefits comprise medical and life insurances and the provision of financial advice. Ian Cheshire receives a company car and a cash payment as he has not taken the full entitlement of his allowance for his car. Kevin O'Byrne receives a cash payment in lieu of a company car.
3 The contingent shares award under the KIS Share scheme in relation to the financial year ended 30 January 2010 are set out in the table under KIS Share awards.
4 The annual base salaries of the executive directors as at 24 March 2010 are £816,000 for Ian Cheshire and £586,500 for Kevin O'Byrne. The bonus calculation for 2009/10 has been based on these salaries.
5 Kevin O'Byrne's remuneration in 2008/09 reflects his service from 1 October 2008 to 31 January 2009.
6 This figure has been restated from the £671,600 disclosed in last year's report, to include the £38,333 employer contributions made to the defined contribution scheme.

Outside appointments for executive directors

Subject to the rules governing conflicts of interest, the Company encourages its executive directors to hold one non-executive role outside the Group as it recognises that such roles can broaden experience and knowledge which can benefit the Group. Kevin O'Byrne is a non-executive director of Land Securities Group plc, and acts as chairman of their audit committee. He is paid £60,000 and £17,500 respectively for fulfilling these roles.

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

Directors' interests in shares of Kingfisher plc

The directors who held office at 30 January 2010 had the following interests in the shares of the Company:

	Ordinary shares 30 January 2010 or, if later, on appointment	Ordinary shares 31 January 2009
Phil Bentley	18,097	18,097
Daniel Bernard	111,897	10,835
Ian Cheshire	410,792	375,177
Anders Dahlvig	75,000	–
Michael Hepher	1,599	1,599
Janis Kong	24,000	24,000
John Nelson	43,750	43,750
Kevin O'Byrne	112,994	112,994

There was no change in the interests of the directors between 30 January 2010 and 24 March 2010.

KIS Share awards

Contingent awards of shares, in respect of the financial year ended 30 January 2010, are due to be made in April 2010, vesting in April 2013, to Ian Cheshire and Kevin O'Byrne under the KIS Share scheme to the value of £537,034 and £385,993 respectively, at the average mid-market price over the three dealing days prior to the date of grant in April 2010. As the awards will be made after publication of the accounts for the financial year ended 30 January 2010, the detail will be disclosed fully in next year's Annual Report.

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

	Number of contingent shares at start of year	Number of contingent shares awarded in year	Price per share	Dividend roll-up shares [1]	Number of contingent shares exercised in year [2]	Number of contingent shares at end of year	Vesting date	Lapse date
Ian Cheshire	60,471		233.83p		60,471	0	10/04/2009	10/10/2009
	52,911		277.75p	1,484		54,395	11/04/2010	11/10/2010
	21,427		126.63p	600		22,027	21/04/2011	21/10/2011
		243,455 [3]	164.63p	6,830		250,285	21/04/2012	21/10/2012
Total	134,809	243,455		8,914	60,471	326,707		
Kevin O'Byrne	0	62,208 [3]	164.63p	1,744		63,952	21/04/2012	21/10/2012
Total	0	62,208		1,744		63,952		
Totals	134,809	305,663		10,658	60,471	390,659		

1 The prices used to calculate the dividend roll-up shares were 176.7p, being the market price on 8 May 2009, and 222.5p, being the market price on 7 October 2009.
2 The market price on exercise for Ian Cheshire was 162p on 14 April 2009. In line with the Group's share ownership guidelines, Ian Cheshire sold sufficient shares to meet his tax liabilities, ie 24,856 shares were sold and the remaining 35,615 shares were added to his holding.
3 As disclosed in last year's remuneration report the awards under the KIS Share scheme were made on 21 April 2009, in respect of the financial year ended 31 January 2009. These awards are structured as nominal cost options (on payment in aggregate of a maximum of £1). They will normally vest in April 2012 and will be exercisable within the period of six months starting from the vesting date.

Performance Share awards

Name	Number of Performance Shares at start of year	Number of Performance Shares awarded in year	Date of grant	Price per share	Dividend roll-up shares [1]	Lapsed during year	Number of Performance Shares at end of year	Vesting date	Lapse date
Ian Cheshire	130,126		28/06/2006	225.75p	0	(130,126)	0 [3]	28/06/2009	28/12/2009
	117,169		24/10/2006	255.50p	0	(117,169)	0 [3]	24/10/2009	24/04/2010
	105,490		11/04/2007	277.00p	2,959		108,449	11/04/2010	11/10/2010
	168,991		01/10/2007	178.10p	4,741		173,732	01/10/2010	01/04/2011
	1,160,903 [4]		01/02/2008	143.60p	32,574		1,193,477	01/02/2012	01/08/2012
		971,876	21/04/2009	164.63p	27,270		999,146	21/04/2012	21/10/2012
Total	1,682,679	971,876			67,544	(247,295)	2,474,804		
Kevin O'Byrne	656,392		01/10/2008	126.60p	28,409 [2]		684,801	01/10/2011	01/04/2012
	656,392		01/10/2008	126.60p	28,409 [2]		684,801	01/02/2012	01/08/2012
		698,536	21/04/2009	164.63p	19,599		718,135	21/04/2012	21/10/2012
Total	1,312,784	698,536			76,417		2,087,737		
Totals	2,995,463	1,670,412			143,961	(247,295)	4,562,541		

As the awards are structured as nominal cost options (on payment in aggregate of a maximum of £1) they can be exercised within a six month period starting from the vesting date.

1 The prices used to calculate the dividend roll-up shares were 176.7p, being the market price on 8 May 2009, and 222.5p, being the market price on 7 October 2009.
2 Includes 9,719 dividend roll-up shares accrued October 2008, but not reported in previous annual report, calculated at the market price of 130p on 8 October 2008.
3 Since the end of the financial year ended 31 January 2009 the TSR performance has been calculated in respect or these awards and median performance was not achieved. Accordingly, these awards did not vest and therefore lapsed.
4 Dividend roll-ups on this award were not reported last year. Ian Cheshire accrued 29,758 shares in April 2008 and 16,939 shares in October 2008 at a price of 127.3p and 130p respectively.

Award of Matching Shares to Ian Cheshire on 1 February 2008

Type of award[1,2]	At start of y ear [5]	Dividend roll-up shares [6]	At end of year	Market price of shares when award made	Qualifying conditions	Vesting date [3,4]	Lapse date
Matching shares granted pursuant to Listing Rule 9.4.2	1,160,903	32,574	1,193,477	143.6p	EPS	01/02/2012	01/08/2012

1 In accordance with the terms of his appointment, the Committee offered Ian Cheshire the opportunity to purchase 266,667 shares in the Company and in return receive a matching award of 200% of salary (i.e. broadly a 4:1 match, he bought 268,924 shares at 148p) subject to performance conditions and his continuing to hold the purchased shares. The value of the matching award was £1,600,000 as of the date of appointment.
2 No Matching Shares vest unless EPS at the end of the 4 year performance period is greater than 15.9p, at which level of performance 15.625% of the award will vest. The percentage vesting increases on a pro-rata basis so that 50% of the Matching Shares vest if EPS is 17.0p. Full vesting occurs if EPS is 19.6p at the end of the performance period with pro-rata vesting between 17.0p and 19.6p.
3 If Ian Cheshire's employment terminates before any vesting date by reason of death, injury, ill health, early termination by the Company (other than for cause) or resignation for "good reason" (as defined in his service contract), then subject to the discretion of the Remuneration Committee in certain limited circumstances, such of the Matching Shares as can be treated as vested will vest, taking into account EPS performance up to the date of cessation of his employment, but reduced on a time pro-rated basis.
4 As the awards are structured as nominal cost options (on payment in aggregate of a maximum of £1) they can be exercised within a six month period starting from the vesting date.
5 Dividend roll-ups on this award were not reported last year. Ian Cheshire accrued 29,758 shares in April 2008 and 16,939 shares in October 2008 at a price of 127.3p and 130p respectively.
6 The prices used to calculate the dividend roll-up shares were 176.7p, being the market price on 8 May 2009, and 222.5p, being the market price on 7 October 2009.

Save As You Earn Option Scheme

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

					Number of options			
	At start of year	Granted during year	Exercised during year	Lapsed during year	At end of year	Option price	Date from which exercisable	Lapse date
Ian Cheshire	8,807	–	–	–	8,807	109.00	01/12/2011	01/06/2012
Kevin O'Byrne	–	5,263	–	–	5,263	172.40	01/12/2012	01/06/2013
Totals	8,807	5,263	–	–	14,070			

Closed incentive plans

There are outstanding awards under the Executive Share Option Scheme, as well as Multiplier Awards made in previous years under the KIS Share scheme that may become exercisable or vest at the end of their respective deferral periods. These are plans that are now closed and under which no further awards will be made. The full details of each can be found in previous annual reports. The outstanding awards are as follows:

Executive share options

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

				Number of options			
	At start of year	Exercised during year	Lapsed during year	At end of year	Option price (pence)	Date from which exercisable	Lapse date
Ian Cheshire	30,520	–	(30,520)	–	589.76	01/04/2004	01/04/2009
	74,346	–	–	74,346	393.43	17/04/2004	17/04/2010
	69,991	–	–	69,991	357.18	25/09/2004	25/09/2010
	126,231	–	–	126,231	209.93	26/09/2004	26/09/2011
	91,350 [1]	–	–	91,350	290.08	09/04/2005	09/04/2012
	164,144	–	–	164,144	194.95	08/10/2005	08/10/2012
	134,538	–	–	134,538	237.85	17/04/2006 [2]	17/04/2013
Totals	691,120	–	(30,520)	660,600			

1 Phantom Options of 91,350 were granted to Ian Cheshire in addition to these options at the same price, with the same performance conditions and over the same maturity periods. On exercise, only the cash equivalent to any gain will be paid and disclosed as remuneration at that time.

2 The performance conditions for all options have been met with the exception of the final grant made on 17 April 2003.

In the period 1 February 2009 to 30 January 2010, the highest and lowest market price for Kingfisher shares was 247.2p and 118p respectively. The market price at close of business on 30 January 2010 was 212.3p.

Multiplier awards relating to prior year KIS Share awards

Bonuses paid under the KIS Shares scheme in April 2005 and 2006 were matched at a ratio of 0.4:1 by a conditional Multiplier award of shares. Vesting of these awards is subject to the TSR performance of the Company against the constituents of the FTSE100 over the three-year period following the year for which the bonus was earned. No vesting will occur at or below median performance. 25% of these shares will vest at above median performance, increasing on a straight-line basis to 100% at above upper quartile performance. In addition, the Committee must also be satisfied that the TSR performance is reflective of underlying Company performance for such awards to vest.

Name	Multiplier awards at start of year	Multiplier awards granted in year	Price per share	Market price per share award date	Multiplier awards lapsed during year	Multiplier awards at end of year	Vesting date [1]	Lapse date
Ian Cheshire	24,188	–	233.83p	231.25p	24,188	–	10/04/2009	10/10/2009

1 Since the end of the financial year ended 31 January 2009 the TSR performance has been calculated in respect of the potential Multiplier Award vesting in April 2009 and median performance was not achieved. Accordingly, this Multiplier Award did not vest and therefore lapsed.

Dilution limits

Kingfisher share plans comply with recommended guidelines on dilution limits and the Company has always operated within these limits. The current ABI Guidelines on headroom provide that overall dilution under all plans should not exceed 10% over a 10 year period in relation to the Company's issued share capital, with a further limitation of 5% in any 10 year period on executive plans. Assuming none of the extant options lapse and will be exercised and having included all exercised options, the Company has utilised 4.93% of the 10% in 10 years and 1.85% of the 5% in 10 years in accordance with the Association of British Insurers (ABI) guidance on dilution limits.

Directors' pension benefits

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

The following table shows details required under both schedule 8 to the Accounting Regulations under the Companies Act 2006 and the Listing Rules as they apply to Kingfisher for the year ended 30 January 2010. In respect of the Companies 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 1 February 2009 and 30 January 2010;
- the increase in transfer value between those dates, net of member contributions paid.

	Accrued pension					Transfer value			Pension cost		
	Age	Years of Service	Increase in accrued pension £000 pa	2009/10 £000 pa	2008/09 £000 pa	Increase in transfer value £000 (net of director's contributions)	2009/10 £000	2008/09 £000	Increase in accrued pension £000 pa (net of inflation)	2009/10 £000	2008/09 £000
Ian Cheshire [1]	50	11	3	26	23	152	437	277	3	28	10

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

The following table shows the employer contributions made to the defined contribution schemes in relation to service during the financial year to 30 January 2010:

	Employer contributions	
	2009/10	2008/09
Ian Cheshire	£203,220	£204,960
Kevin O'Byrne	£115,000	£38,333 [1]

1 This figure has been restated. The previous year's report indicated that a total of £41,383 was payable in relation to Kevin O'Byrne's period of service. The actual amount was £38,333, and represented employer contributions for Kevin O'Byrne's period of service from 1 October 2008 to 31 January 2009.

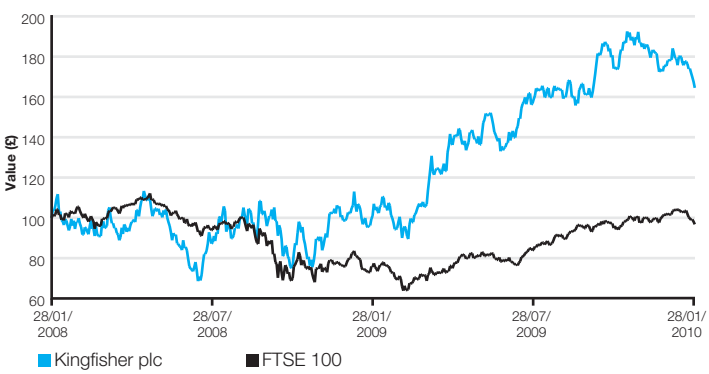
The Company's TSR for the five years to 30 January 2010 is shown in the first graph below, which plots the value of £100 invested in Kingfisher over the last five financial years. The other line on the graph shows the performance of the FTSE100 Index over the same period.

The second graph below shows the Company's TSR for the two years to 30 January 2010, which plots the value of £100 invested in Kingfisher over the last two years compared to the performance of the FTSE 100 index over the same period. This also covers the performance period of Ian Cheshire's share award, following his appointment as Group Chief Executive in January 2008.

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

Total shareholder return – 5 years

Total shareholder return – 2 years



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

Chairman

Daniel Bernard was appointed Chairman on 3 June 2009. His appointment was for an initial fixed three-year term on the recommendation of the Nomination Committee (which was chaired by John Nelson, the Senior Independent Director), 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 which is not a contract of employment and he is required to devote no fewer than 2-3 days a week to his duties as Chairman. His appointment as Chairman will automatically terminate if he ceases to be a director of the Company. His fee, determined by reference to his time commitment and relevant benchmark data, was set at €450,000 per annum. This is paid to a service company, Provestis, which also receives a monthly contribution of €5,000 towards the cost of running an office in Paris.

Service contracts

Non-executive directors are appointed under letters of engagement, not service contracts. Appointments are normally for an initial period of three years. Invitations to act for subsequent three-year terms are subject to a review of performance, and taking into 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 non-executive directors are also subject to re-election at the Annual General Meeting following their appointment, and subsequently at intervals of no more than three years.

	Date of Appointment	Expiry of Current Term	Total length of service at 30 January 2010 or, if earlier, on retirement
Peter Jackson [1]	03/01/2006	–	3 years 5 months
Daniel Bernard	24/05/2006	03/06/2012	3 years 8 months
John Nelson	11/01/2002	10/01/2011	8 years
Phil Bentley [2]	04/10/2002	03/10/2011	7 years 3 months
Anders Dahlvig [3]	16/12/2009	15/12/2012	1 month
Hartmut Krämer [4]	08/11/2002	–	6 years 11 months
Michael Hepher [5]	01/09/1997	17/06/2010	12 years 4 months
Janis Kong	08/12/2006	07/12/2012	3 years 1 month

1 Peter Jackson retired on 3 June 2009.
2 Phil Bentley retired on 17 March 2010.
3 Anders Dahlvig was appointed on 16 December 2009.
4 Hartmut Krämer retired on 23 October 2009.
5 Michael Hepher will retire at the conclusion of the AGM in 2010.

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.

The table below sets out the fee levels at 1 August 2009 and at 1 August 2008 [1]:

	2009/10	2008/09
Chairman	€450,000	£294,000 [2]
Deputy Chairman	£110,000 [4]	€213,200 [3]
Senior Independent Director		£13,000
Board membership fee	£53,300	£53,300
Board committee membership	nil	nil
Committee Chairmen		
– Audit	£15,000	£15,000
– Remuneration	£10,000	£10,000
– Nomination	Nil	Nil

1 The fee payable to non-executive directors was increased with effect from 30 January 2010 from £53,300 p.a. to £55,000 p.a., an increase of 3%, and the fee payable to the Chairman of the audit committee increased with effect from the same date from £15,000 p.a. to £17,000 p.a., an increase of 13%.
2 This fee was paid to Peter Jackson.
3 This fee was paid to Daniel Bernard whilst acting as Deputy Chairman.
4 Composite fee paid to John Nelson as Deputy Chairman, Senior Independent Director, and as a non-executive director.

Non-executive remuneration

Non-executive director	2009/10 £'000s	2008/09 £'000s
Peter Jackson [1]	100.8	289
Daniel Bernard [2]	329.5	169.4
John Nelson [3]	98.0	73.9
Phil Bentley	68.3	67.4
Anders Dahlvig [4]	6.6	–
Michael Hepher	53.3	52.4
Hartmut Krämer [5]	40.0	52.4
Janis Kong	53.3	52.4
Total	749.8	756.9

1 Peter Jackson retired on 3 June 2009.
2 Fee increased on 3 June 2009 on appointment as Chairman. Daniel Bernard receives his fees in Euros, which are converted into Sterling for the purposes of this table at the average exchange rate over the course of the relevant year.
3 Fee increased on 3 June 2009 on appointment as Deputy Chairman and represents a composite fee for membership of the Board, and in respect of his roles as Senior Independent Director and Deputy Chairman.
4 Anders Dahlvig was appointed on 16 December 2009.
5 Hartmut Krämer retired on 23 October 2009.

By order of the Board:

John Nelson
Chairman of the Remuneration Committee
24 March 2010

Audit Committee report

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

During the year, the Chairman of the Committee was Phil Bentley. Full details of Committee membership is set out on page 38. Details of the qualifications of Committee members, the number and attendance of Committee meetings are set on pages 29 and 36 respectively.

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

The Audit Committee has an agenda linked to events in the Group's financial calendar. At the invitation of the Committee, the Chairman of the Board and the Group Chief Executive regularly attended meetings, as did the Group Finance Director, Audit and Risk Management Director, Group Financial Controller and the external auditors. Private meetings were also held with the external and internal auditors at which management were not present.

A summary of the role of the Audit Committee is set out on page 38. During the year ended 30 January 2010, the Committee:

- agreed the terms, areas of responsibility and scope of the audit work to be undertaken by the external auditors and agreed a programme of work for the Company's Internal Audit function;
- considered the Internal Audit function's reports on the effectiveness of internal controls, significant frauds and any fraud that involved management or employees with a significant role in internal controls;
- monitored progress on the programme announced during 2008/09 to standardise and improve control processes in a number of key areas including the B&Q China business unit and IT systems;
- received reports from the external auditors on their findings including any control observations relevant to their audit work;
- reviewed the annual and interim financial statements, together with the reports received from the external auditors on their audits;
- considered regular reports on the output from the Group-wide process used to identify, evaluate and mitigate risks;
- reviewed and approved the scope of non-audit services provided by the auditors to ensure that there was no impairment of independence and objectivity, and subsequently monitored the non-audit work performed to ensure it was within policy guidelines;
- received presentations from the senior management of all operating companies and certain key Group functions;
- undertook the annual review of the Committee's effectiveness;
- reviewed and updated the policy and process enabling employees within the Group to make confidential disclosures about suspected financial and operational improprieties;

and in particular the Committee:

- reviewed the services of the external auditor, PricewaterhouseCoopers LLP, and following a tender process, recommended the appointment of Deloitte LLP to serve as the Company's auditor. The review included an assessment of the qualifications, expertise and resources of the external auditors.

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

After seven years on the Board, Phil Bentley retired as a non-executive director on 17 March 2010 and the Committee thanks Phil for his invaluable contribution over these years. Andrew Bonfield, who joined the Board as a non-executive director on 11 February 2010 has succeeded Phil Bentley as Chairman of the Committee. Both Phil Bentley and Andrew Bonfield are chartered accountants and have recent and relevant financial experience.

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

For and on behalf of the Audit Committee

Phil Bentley
Chairman of the Audit Committee
24 March 2010

Consolidated income statement

Year ended 30 January 2010

£ millions	Notes	2009/10 Before exceptional items	2009/10 Exceptional items (note 5)	2009/10 Total	2008/09 Before exceptional items	2008/09 Exceptional items (note 5)	2008/09 Total
Sales	4	**10,503**	**–**	**10,503**	10,026	–	10,026
Cost of sales		**(6,706)**	**–**	**(6,706)**	(6,504)	(21)	(6,525)
Gross profit		**3,797**	**–**	**3,797**	3,522	(21)	3,501
Selling and distribution expenses		**(2,712)**	**–**	**(2,712)**	(2,624)	(105)	(2,729)
Administrative expenses		**(536)**	**–**	**(536)**	(496)	(124)	(620)
Other income		**31**	**17**	**48**	22	13	35
Share of post-tax results of joint ventures and associates	17	**26**	**–**	**26**	22	(36)	(14)
Operating profit		**606**	**17**	**623**	446	(273)	173
Analysed as:							
Retail profit	4	**664**	**17**	**681**	503	(113)	390
Impairment of goodwill and investment in associate		**–**	**–**	**–**	–	(160)	(160)
Central costs		**(41)**	**–**	**(41)**	(41)	–	(41)
Share of interest and tax of joint ventures and associates		**(17)**	**–**	**(17)**	(16)	–	(16)
Finance costs		**(76)**	**–**	**(76)**	(119)	–	(119)
Finance income		**19**	**–**	**19**	36	–	36
Net finance costs	6	**(57)**	**–**	**(57)**	(83)	–	(83)
Profit before taxation	7	**549**	**17**	**566**	363	(273)	90
Income tax expense	9	**(174)**	**(7)**	**(181)**	(95)	7	(88)
Profit from continuing operations		**375**	**10**	**385**	268	(266)	2
Profit from discontinued operations	34	**–**	**–**	**–**	26	178	204
Profit for the year		**375**	**10**	**385**	294	(88)	206
Attributable to:							
Equity shareholders of the Company				**388**			209
Minority interests				**(3)**			(3)
				385			206
Earnings per share	10						
Continuing operations:							
Basic				**16.5p**			0.2p
Diluted				**16.4p**			0.2p
Adjusted basic				**16.4p**			11.0p
Adjusted diluted				**16.3p**			11.0p
Total operations:							
Basic				**16.5p**			8.9p
Diluted				**16.4p**			8.9p

The proposed final dividend for the year ended 30 January 2010, subject to approval by shareholders at the Annual General Meeting, is 3.575p per share.

Consolidated statement of comprehensive income

Year ended 30 January 2010

£ millions	Notes	2009/10	2008/09
Profit for the year		**385**	206
Actuarial losses on post employment benefits	27	**(165)**	(191)
Currency translation differences			
Group		**15**	159
Joint ventures and associates		**(6)**	32
Gains transferred to income statement		**–**	(80)
Cash flow hedges			
Fair value (losses)/gains		**(13)**	33
Gains transferred to inventories		**(5)**	(10)
Tax on other comprehensive income		**55**	35
Other comprehensive income for the year		**(119)**	(22)
Total comprehensive income for the year		**266**	184
Attributable to:			
Equity shareholders of the Company		**271**	180
Minority interests		**(5)**	4
		266	184

Consolidated statement of changes in equity

Year ended 30 January 2010

£ millions	Notes	Attributable to equity shareholders of the Company							
		Share capital	Share premium	Own shares held	Retained earnings	Other reserves (note 29)	Total	Minority interests	Total equity
At 1 February 2009		**371**	**2,188**	**(57)**	**1,768**	**513**	**4,783**	**15**	**4,798**
Profit for the year		**–**	**–**	**–**	**388**	**–**	**388**	**(3)**	**385**
Actuarial losses on post employment benefits	27	**–**	**–**	**–**	**(165)**	**–**	**(165)**	**–**	**(165)**
Currency translation differences									
Group		**–**	**–**	**–**	**–**	**17**	**17**	**(2)**	**15**
Joint ventures and associates		**–**	**–**	**–**	**–**	**(6)**	**(6)**	**–**	**(6)**
Cash flow hedges									
Fair value losses		**–**	**–**	**–**	**–**	**(13)**	**(13)**	**–**	**(13)**
Gains transferred to inventories		**–**	**–**	**–**	**–**	**(5)**	**(5)**	**–**	**(5)**
Tax on other comprehensive income		**–**	**–**	**–**	**45**	**10**	**55**	**–**	**55**
Other comprehensive income for the year		**–**	**–**	**–**	**(120)**	**3**	**(117)**	**(2)**	**(119)**
Total comprehensive income for the year		**–**	**–**	**–**	**268**	**3**	**271**	**(5)**	**266**
Share-based compensation		**–**	**–**	**–**	**20**	**–**	**20**	**–**	**20**
Shares issued under share schemes		**–**	**3**	**–**	**–**	**–**	**3**	**–**	**3**
Own shares purchased		**–**	**–**	**(7)**	**–**	**–**	**(7)**	**–**	**(7)**
Own shares disposed		**–**	**–**	**10**	**(10)**	**–**	**–**	**–**	**–**
Dividends		**–**	**–**	**–**	**(125)**	**–**	**(125)**	**–**	**(125)**
At 30 January 2010		**371**	**2,191**	**(54)**	**1,921**	**516**	**4,945**	**10**	**4,955**
At 3 February 2008		371	2,188	(66)	1,815	405	4,713	11	4,724
Profit for the year		–	–	–	209	–	209	(3)	206
Actuarial losses on post employment benefits	27	–	–	–	(191)	–	(191)	–	(191)
Currency translation differences									
Group		–	–	–	–	152	152	7	159
Joint ventures and associates		–	–	–	–	32	32	–	32
Gains transferred to income statement		–	–	–	–	(80)	(80)	–	(80)
Cash flow hedges									
Fair value gains		–	–	–	–	33	33	–	33
Gains transferred to inventories		–	–	–	–	(10)	(10)	–	(10)
Tax on other comprehensive income		–	–	–	54	(19)	35	–	35
Other comprehensive income for the year		–	–	–	(137)	108	(29)	7	(22)
Total comprehensive income for the year		–	–	–	72	108	180	4	184
Share-based compensation		–	–	–	15	–	15	–	15
Own shares disposed		–	–	9	(9)	–	–	–	–
Dividends		–	–	–	(125)	–	(125)	(1)	(126)
Capital injections from minority interests		–	–	–	–	–	–	1	1
At 31 January 2009		371	2,188	(57)	1,768	513	4,783	15	4,798

Consolidated balance sheet

At 30 January 2010

£ millions	Notes	2009/10	2008/09
Non-current assets			
Goodwill	12	**2,395**	2,396
Other intangible assets	13	**70**	73
Property, plant and equipment	14	**3,612**	3,699
Investment property	15	**24**	24
Investments in joint ventures and associates	17	**234**	219
Deferred tax assets	25	**27**	26
Derivatives	23	**81**	180
Other receivables	19	**22**	17
		6,465	6,634
Current assets			
Inventories	18	**1,545**	1,792
Trade and other receivables	19	**494**	508
Derivatives	23	**24**	107
Current tax assets		**58**	33
Cash and cash equivalents	20	**1,260**	1,157
		3,381	3,597
Total assets		**9,846**	10,231
Current liabilities			
Trade and other payables	21	**(2,374)**	(2,362)
Borrowings	22	**(647)**	(389)
Derivatives	23	**(25)**	(38)
Current tax liabilities		**(348)**	(206)
Provisions	26	**(36)**	(69)
		(3,430)	(3,064)
Non-current liabilities			
Other payables	21	**(74)**	(33)
Borrowings	22	**(883)**	(1,907)
Derivatives	23	**(47)**	(76)
Deferred tax liabilities	25	**(197)**	(226)
Provisions	26	**(62)**	(53)
Post employment benefits	27	**(198)**	(74)
		(1,461)	(2,369)
Total liabilities		**(4,891)**	(5,433)
Net assets	4	**4,955**	4,798
Equity			
Share capital	28	**371**	371
Share premium		**2,191**	2,188
Own shares held		**(54)**	(57)
Retained earnings		**1,921**	1,768
Other reserves	29	**516**	513
Total attributable to equity shareholders of the Company		**4,945**	4,783
Minority interests		**10**	15
Total equity		**4,955**	4,798

The financial statements were approved by the Board of Directors on 24 March 2010 and signed on its behalf by:

Ian Cheshire
Group Chief Executive

Kevin O'Byrne
Group Finance Director

Consolidated cash flow statement

Year ended 30 January 2010

£ millions	Notes	2009/10	2008/09
Operating activities			
Cash generated by operations	31	**1,130**	867
Income tax paid		**(151)**	(77)
French tax receipt	9	**148**	–
Net cash flows from operating activities		**1,127**	790
Investing activities			
Purchase of minority interests		**–**	(7)
Purchase of property, plant and equipment, investment property and intangible assets	4	**(256)**	(390)
Disposal of property, plant and equipment, investment property and intangible assets		**59**	62
Disposal of other investments		**–**	12
Dividends received from joint ventures and associates		**5**	3
Net cash flows from investing activities		**(192)**	(320)
Financing activities			
Interest paid		**(72)**	(111)
Interest element of finance lease rental payments		**(5)**	(5)
Interest received		**14**	22
Repayment of bank loans		**(130)**	(37)
Repayment of Medium Term Notes and other fixed term debt		**(500)**	–
Receipt/(payment) on financing derivatives		**78**	(5)
Capital element of finance lease rental payments		**(14)**	(12)
Issue of share capital to minority interests		**–**	1
Purchase of own shares		**(7)**	–
Dividends paid to equity shareholders of the Company		**(125)**	(125)
Dividends paid to minority interests		**–**	(1)
Net cash flows from financing activities		**(761)**	(273)
Net increase in cash and cash equivalents and bank overdrafts from continuing operations		**174**	197
Net cash flows from operating activities		**–**	23
Net cash flows from investing activities		**–**	522
Net cash flows from financing activities		**–**	1
Net increase in cash and cash equivalents and bank overdrafts from discontinued operations	34	**–**	546
Net increase in cash and cash equivalents and bank overdrafts		**174**	743
Cash and cash equivalents and bank overdrafts at beginning of year		**994**	195
Exchange differences		**(33)**	56
Cash and cash equivalents and bank overdrafts at end of year	32	**1,135**	994

Notes to the consolidated financial statements

1 General information

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

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

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

The Company is listed on the London Stock Exchange.

These consolidated financial statements have been approved for issue by the Board of Directors on 24 March 2010.

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 30 January 2010 ('the year'). The comparative financial year is the 52 weeks ended 31 January 2009 ('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 30 January 2010. Refer to the Directors' statement of responsibility on page 34.

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

The following new standards and amendments, which are mandatory for the first time for the financial year beginning 1 February 2009, are relevant for the Group:

IAS 1 (revised)	Presentation of financial statements	Requires non-owner changes in equity to be shown in either one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements. Owner changes in equity are required to be shown in a statement of changes in equity.
IAS 38 (amendment)	Intangible assets – Catalogue costs	Expenses incurred in printing mail order catalogues are recognised once the catalogues are printed and not when they are distributed to customers. The impact of this on the results presented has not been significant.
IFRS 2 (amendment)	Share-based payments – Vesting conditions and cancellations	Clarifies that vesting conditions are service conditions and performance conditions only. Other features that are not vesting conditions are required to be included in the grant date fair value. The impact of this on the results presented has not been significant.
IFRS 7 (amendment)	Improving disclosures about financial instruments	The amendments to IFRS 7 introduce a three level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. In addition, the amendments clarify the existing requirements for the disclosure of liquidity risk. These requirements have been incorporated into the relevant financial instrument disclosures.
IFRS 8	Operating segments	IFRS 8 replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in Ireland moving from 'Other International' to 'UK & Ireland' (previously 'UK') and the presentation of new segmental assets and other information. Refer to note 4 for further information.

The following new standard and interpretation, which are mandatory for the first time for the financial year beginning 1 February 2009, are relevant but were already applied by the Group:

- IAS 23, 'Borrowing costs (revised)'; and
- IFRIC 13, 'Customer loyalty programmes'.

The following amendments to standards and interpretation, which are mandatory for the first time for the financial year beginning 1 February 2009, are either not currently relevant or material for the Group:

- IAS 39 (amendment), 'Financial instruments: Recognition and measurement';
- IAS 39 and IFRS 7 (amendment), 'Reclassification of financial assets'; and
- IFRIC 16, 'Hedges of a net investment in a foreign operation'.

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

IAS 27 (amendment)	Consolidated and separate financial statements - Non-controlling interests (effective from 1 July 2009)	Requires the effects of all transactions with non-controlling (minority) interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The amended standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in profit or loss. This will be applied in the Group's 2010/11 financial statements.
IFRS 3 (amendment)	Business combinations (effective from 1 July 2009)	Harmonises business combination accounting with US GAAP. The amended standard will continue to apply the acquisitions method to business combinations, but with certain significant changes. All payments to purchase a business will be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through income. Goodwill and non-controlling (minority) interests may be calculated on a gross or net basis. All transaction costs will be expensed. This will be applied in the Group's 2010/11 financial statements.
IFRS 9	Financial instruments (effective from 1 January 2013)	Introduces new requirements for classifying and measuring financial assets. This includes the removal of available-for-sale financial assets and held-to-maturity investments, and the introduction of a new category of financial assets at fair value through other comprehensive income. This is still subject to endorsement by the European Union, but is currently expected to be applied in the Group's 2013/14 financial statements.

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

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

Use of non-GAAP measures

Kingfisher believes that retail profit, adjusted pre-tax profit, effective tax rate, adjusted post-tax profit and adjusted earnings per share provide additional useful information on underlying trends to shareholders. These and other non-GAAP measures such as net debt 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' 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 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 acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share

2 Principal accounting policies continued

of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

(ii) Joint ventures and associates

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

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

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

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

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

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:

	2009/10		2008/09	
	Average rate	Year end rate	Average rate	Year end rate
Euro/£	**1.13**	**1.15**	1.24	1.12
US Dollar/£	**1.58**	**1.61**	1.81	1.44
Polish Zloty/£	**4.86**	**4.69**	4.39	5.02
Chinese Renminbi/£	**10.79**	**11.01**	12.51	9.86

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 product.

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 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 five years.

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

h. Property, plant and equipment

(i) Cost

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

(ii) Depreciation

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

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

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

(iii) Impairment

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

(iv) Disposal

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

(v) Subsequent costs

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

i. Leased assets

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

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

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

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

j. Investment property

Investment property is property held by the Group to earn rental income or for capital appreciation. The Group's investment properties are carried at cost less depreciation and provision for impairment.

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 the 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.

2 Principal accounting policies continued

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 it relates to items charged or credited directly to equity, in which case the current or deferred tax is also recognised directly in equity.

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

o. Provisions

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

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

p. Financial instruments

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

(i) Cash and cash equivalents

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

(ii) Borrowings

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

(iii) Other investments

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

(iv) Trade receivables

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

(v) Trade payables

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

(vi) Derivatives and hedge accounting

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

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

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

Fair value hedges

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

Cash flow hedges

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

Net investment hedges

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

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

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

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

3 Critical accounting estimates and judgements

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

Impairment of goodwill and other assets

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

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

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

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

Inventories

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

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes in each territory. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts which were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Refer to notes 9 and 25 for further information.

3 Critical accounting estimates and judgements continued

Restructuring provisions

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

Post employment benefits

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

4 Segmental analysis

Income statement

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

					2008/09 Restated
			Other International		
£ millions	UK & Ireland	France	Poland	Other	Total
Sales	4,379	3,888	1,036	723	10,026
Retail profit	132	283	124	(36)	503
Exceptional items					(273)
Central costs					(41)
Share of interest and tax of joint ventures and associates					(16)
Operating profit					173
Net finance costs					(83)
Profit before taxation					90

Balance sheet

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

£ millions	UK & Ireland	France	Other International Poland	Other International Other	2008/09 Restated Total
Segment assets	1,185	1,385	442	561	3,573
Central liabilities					(167)
Goodwill					2,396
Net debt					(1,004)
Net assets					4,798

Other segmental information

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

£ millions	UK & Ireland	France	Other International Poland	Other International Other	Central	2008/09 Restated Total
Capital expenditure	175	107	47	57	4	390
Depreciation and amortisation	153	71	12	27	2	265
Impairment losses	6	–	–	179	–	185
Write down of investment in associate	–	–	–	36	–	36
Non-current assets [1]	3,303	1,990	446	432	21	6,192

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

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

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

The income statement and other segmental information (excluding non-current assets) are presented on a continuing operations basis. 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.

Following adoption of IFRS 8, 'Operating segments', comparatives have been restated to reflect the move of Ireland from 'Other International' to 'UK & Ireland' (previously 'UK'). This has also resulted in the presentation of new segmental assets information based on internal reporting, the recording of capital expenditure on a cash (rather than accruals) basis and the inclusion of non-current assets. No other information in the consolidated financial statements has been restated as a result of this change.

5 Exceptional items

£ millions	2009/10	2008/09
Included within cost of sales		
China restructuring	–	(21)
Included within selling and distribution expenses		
China restructuring	–	(86)
UK restructuring	–	(19)
	–	(105)
Included within administrative expenses		
Impairment of goodwill	–	(124)
Included within other income		
Profit on disposal of properties	17	13
Included within share of post-tax results of joint ventures and associates		
Impairment of investment in Hornbach	–	(36)
Exceptional items before tax	17	(273)
Tax on exceptional items	(7)	7
Exceptional items – continuing operations	10	(266)
Exceptional items – discontinued operations	–	178
Exceptional items	10	(88)

The Group has recorded an exceptional profit of £17m on the disposal of properties (2008/09: £13m profit).

In the prior year, an exceptional loss of £107m was recorded relating to the B&Q China turnaround plan. The plan involved rationalising the store portfolio from 63 to 41 and then revamping the remaining stores. The exceptional loss comprised store asset impairments, lease exits, inventory write downs and employee redundancy costs. The total charge included £19m relating to the termination of leases, which was included within restructuring provisions, £55m relating to the impairment of property, plant and equipment and £21m relating to the write down of inventories.

In the prior year, the Group recorded an exceptional loss of £19m following the announcement that Trade Depot in the UK would be closed, which included a loss on disposal of properties of £6m.

In the prior year, an exceptional loss of £124m was recorded on the impairment of goodwill in China based on a review of its recoverable amount. The goodwill balance was fully written down.

In the prior year, an exceptional loss of £36m was recorded on the write down of the Group's investment in Hornbach.

In the prior year the Group disposed of Castorama Italy. Refer to note 34 for further information.

6 Net finance costs

£ millions	2009/10	2008/09
Bank overdrafts and bank loans	(25)	(23)
Medium Term Notes and other fixed term debt	(43)	(86)
Financing fair value remeasurements	2	(5)
Finance leases	(5)	(5)
Unwinding of discount on provisions	(4)	(3)
Expected net interest charge on defined benefit pension schemes	(4)	–
Capitalised interest	3	3
Finance costs	(76)	(119)
Cash and cash equivalents and current other investments	19	23
Expected net interest return on defined benefit pension schemes	–	13
Finance income	19	36
Net finance costs – continuing operations	(57)	(83)

Medium Term Notes and other fixed term debt interest includes net interest income accrued on derivatives of £38m (2008/09: £8m expense) and amortisation of issue costs of borrowings of £3m (2008/09: £1m).

Capitalised interest relates to the centrally held borrowing pool and is calculated by applying a capitalisation rate of 2.6% (2008/09: 6.7%) to expenditure on qualifying assets.

Financing fair value remeasurements comprise a net loss on derivatives, excluding accrued interest, of £28m (2008/09: £174m gain), offset by a net gain from fair value adjustments to the carrying value of borrowings and cash of £30m (2008/09: £179m loss). The net loss on derivatives includes ineffectiveness gains on net investment hedges of £nil (2008/09: £nil).

7 Profit before taxation

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

£ millions	2009/10	2008/09
Sales	**10,503**	10,026
Other income	**48**	35
Finance income	**19**	36
Revenue	**10,570**	10,097

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

£ millions	2009/10	2008/09
Operating lease rentals [1]		
Minimum lease payments	**419**	405
Sublease income	**(17)**	(17)
	402	388
Rental income received on investment property	**(4)**	(4)
Repairs and maintenance	**93**	94
Amortisation of other intangible assets [2]	**34**	34
Depreciation of property, plant and equipment and investment property		
Owned assets	**216**	225
Under finance leases	**10**	6
Impairment of goodwill	**–**	124
Impairment of property, plant and equipment and investment property	**4**	61
Write down of investment in associate	**–**	36
(Profit)/loss on disposal		
Land and buildings and investment property	**(17)**	(7)
Fixtures, fittings and equipment	**13**	18
Other intangible assets	**3**	–
Inventories: write down to net realisable value [3]	**99**	63
Trade receivables: write down of bad and doubtful debts	**6**	7

[1] Of the operating lease rental charge for continuing operations, £31m relates to plant and equipment (2008/09: £30m).
[2] Of the amortisation of other intangible assets charge for continuing operations, £6m (2008/09: £4m) and £28m (2008/09: £30m) are included in selling and distribution expenses and administrative expenses respectively.
[3] There have been no reversals of write downs of inventories in the year (2008/09: £nil).

Auditors' remuneration

	2009/10		2008/09
£ millions	Deloitte	PricewaterhouseCoopers	PricewaterhouseCoopers
Fees payable for the audit of the Company and consolidated financial statements	**0.3**	**–**	0.5
Fees payable for the audit of the Company's subsidiaries pursuant to legislation	**1.0**	**–**	1.8
Audit fees	**1.3**	**–**	2.3
Other services supplied pursuant to legislation	**–**	**0.1**	0.1
Tax advisory services	**–**	**0.2**	0.7
All other services	**–**	**0.1**	0.1
Auditors' remuneration	**1.3**	**0.4**	3.2

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

8 Employees and directors

£ millions	2009/10	2008/09
Wages and salaries	**1,178**	1,101
Social security costs	**229**	214
Post employment benefits		
Defined contribution	**4**	6
Defined benefit	**22**	23
Share-based payments	**20**	15
Employee benefit expenses – continuing operations	**1,453**	1,359
Wages and salaries	**–**	46
Social security costs	**–**	15
Employee benefit expenses – discontinued operations	**–**	61
Employee benefit expenses	**1,453**	1,420

Number thousands	2009/10	2008/09
Stores	**76**	79
Administration	**4**	4
Average number of persons employed – continuing operations	**80**	83
Stores	**–**	2
Average number of persons employed – discontinued operations	**–**	2
Average number of persons employed	**80**	85

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

Remuneration of key management personnel

£ millions	2009/10	2008/09
Short term employee benefits	**8.1**	6.9
Post employment benefits	**0.9**	0.4
Termination benefits	**–**	1.0
Share-based payments	**4.1**	2.4
	13.1	10.7

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

Further detail with respect to the directors' remuneration is set out in the Directors' remuneration report on pages 41 to 53. Other than as set out in the Directors' remuneration report, there have been no transactions with key management during the year (2008/09: £nil).

9 Income tax expense

£ millions	2009/10	2008/09
UK corporation tax		
Current tax on profits for the year	**85**	34
Adjustments in respect of prior years	**(7)**	(14)
	78	20
Overseas tax		
Current tax on profits for the year	**85**	111
Adjustments in respect of prior years	**(1)**	6
	84	117
Deferred tax		
Current year	**4**	(41)
Adjustments in respect of prior years	**15**	(8)
	19	(49)
Income tax expense – continuing operations	**181**	88

Factors affecting tax charge for the year

The tax charge for the year differs from the standard rate of corporation tax in the UK of 28%. The differences are explained below:

£ millions	2009/10	2008/09
Profit before taxation – continuing operations	**566**	90
Profit multiplied by the standard rate of corporation tax in the UK of 28% (2008/09: 28%)	**158**	25
Share of post-tax results of joint ventures and associates	**(7)**	4
Expenses not deductible for tax purposes	**17**	11
Temporary differences:		
– Net gains on property	**(5)**	(4)
– Losses not recognised	**7**	62
Foreign tax rate differences	**4**	6
Adjustments in respect of prior years	**7**	(16)
Income tax expense – continuing operations	**181**	88

The effective rate of tax on profit from continuing operations before exceptional items and excluding tax adjustments in respect of prior years is 30% (2008/09: 31%). Tax on exceptional items for the year is a charge of £7m, all of which relates to current year items. In 2008/09 tax on exceptional items was a credit of £7m, all of which related to current year items. The effective tax rate calculation is set out in the Financial review on page 22.

In addition to the amounts charged to the income statement, tax of £55m has been credited directly to equity (2008/09: £35m credit), of which a £12m credit (2008/09: £2m charge) is included in current tax and a £43m credit (2008/09: £37m credit) 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 against this tax liability and the tribunal found in favour of Kingfisher in June 2009. As a result, on 7 September 2009 the Group received €169m (£148m) from the French tax authorities, representing a refund of the €138m and €31m of repayment supplement. The French tax authorities have appealed against this decision and therefore no income has been recognised in these financial statements.

10 Earnings per share

	2009/10			2008/09		
	Earnings £ millions	Weighted average number of shares millions	Earnings per share pence	Earnings £ millions	Weighted average number of shares millions	Earnings per share pence
Continuing operations:						
Basic earnings per share	**388**	**2,347**	**16.5**	5	2,345	0.2
Dilutive share options		**22**	**(0.1)**		9	–
Diluted earnings per share	**388**	**2,369**	**16.4**	5	2,354	0.2
Basic earnings per share	**388**	**2,347**	**16.5**	5	2,345	0.2
Exceptional items	**(17)**		**(0.7)**	273		11.7
Tax on exceptional and prior year items	**14**		**0.7**	(23)		(1.0)
Financing fair value remeasurements	**(2)**		**(0.1)**	5		0.2
Tax on financing fair value remeasurements	**1**		**–**	(2)		(0.1)
Adjusted basic earnings per share	**384**	**2,347**	**16.4**	258	2,345	11.0
Diluted earnings per share	**388**	**2,369**	**16.4**	5	2,354	0.2
Exceptional items	**(17)**		**(0.7)**	273		11.7
Tax on exceptional and prior year items	**14**		**0.7**	(23)		(1.0)
Financing fair value remeasurements	**(2)**		**(0.1)**	5		0.2
Tax on financing fair value remeasurements	**1**		**–**	(2)		(0.1)
Adjusted diluted earnings per share	**384**	**2,369**	**16.3**	258	2,354	11.0
Total operations:						
Basic earnings per share	**388**	**2,347**	**16.5**	209	2,345	8.9
Dilutive share options		**22**	**(0.1)**		9	–
Diluted earnings per share	**388**	**2,369**	**16.4**	209	2,354	8.9

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	2009/10	2008/09
Dividends to equity shareholders of the Company		
Final dividend for the year ended 31 January 2009 of 3.4p per share (2 February 2008: 3.4p per share)	**80**	80
Interim dividend for the year ended 30 January 2010 of 1.925p per share (31 January 2009: 1.925p per share)	**45**	45
	125	125

The proposed final dividend for the year ended 30 January 2010 of 3.575p 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 1 February 2009	**2,520**
Exchange differences	**(13)**
At 30 January 2010	**2,507**
Impairment	
At 1 February 2009	**(124)**
Exchange differences	**12**
At 30 January 2010	**(112)**
Net carrying amount	
At 30 January 2010	**2,395**
Cost	
At 3 February 2008	2,532
Disposals	(55)
Exchange differences	43
At 31 January 2009	2,520
Impairment	
At 3 February 2008	–
Charge for the year	(124)
At 31 January 2009	(124)
Net carrying amount	
At 31 January 2009	2,396

In the prior year the Group disposed of Castorama Italy (see note 34).

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 30 January 2010					
Cost	**1,796**	**518**	**81**	**112**	**2,507**
Impairment	**–**	**–**	**–**	**(112)**	**(112)**
Net carrying amount	**1,796**	**518**	**81**	**–**	**2,395**
At 31 January 2009					
Cost	1,796	519	81	124	2,520
Impairment	–	–	–	(124)	(124)
Net carrying amount	1,796	519	81	–	2,396

12 Goodwill continued

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

Assumptions

- The cash flow projections are based on financial budgets and strategic plans approved by the Board covering a five year period. These are based on both past performance and expectations for future market development.
- Key drivers in the plans are like-for-like ('LFL') sales, margin and operating profit percentage. LFL sales are based on the Group's market expectations and the CGUs' market shares.
- Cash flows beyond this five year period are calculated using a growth rate of 1.9% (2008/09: 1.9%) which does not exceed the long term average growth rate for retail businesses operating in the same countries as the CGUs.
- Working capital movements are included in the model, building in anticipated movements due to the level of trading and including reductions across the Group as part of the Delivering Value programme over the first three years.
- The weighted average cost of capital, used to discount future cash flows, is calculated using a combination of the cost of debt and the cost of equity balanced according to the Group's level of financial gearing. A risk adjustment is then made for the country in which the CGU operates.

United Kingdom

- The risk-adjusted discount rate of 11.3% (2008/09: 12.0%) is pre-tax and reflects the specific risks inherent in the UK market. A decrease in cash flows of 33% would result in the value-in-use of goodwill being equal to its carrying amount. The Board do not consider that a reasonably possible change would lead to the recoverable amount being below the carrying amount of goodwill based on this level of headroom.

France

- The risk-adjusted discount rate of 11.6% (2008/09: 13.4%) is pre-tax and reflects the specific risks inherent in the French market. A decrease in cash flows of 55% would result in the value-in-use of goodwill being equal to its carrying amount. The Board do not consider that a reasonably possible change would lead to the recoverable amount being below the carrying amount of goodwill based on this level of headroom.

Poland

- The risk-adjusted discount rate of 13.2% (2008/09: 13.7%) is pre-tax and reflects the specific risks inherent in the Polish market. A decrease in cash flows of 78% would result in the value-in-use of goodwill being equal to its carrying amount. The Board do not consider that a reasonably possible change would lead to the recoverable amount being below the carrying amount of goodwill based on this level of headroom.

China

- In the prior year, the goodwill relating to the China business was fully impaired. This arose due to a weak housing market following a rapid property market slowdown, the dependence of the business on new apartment fit outs and increasing local competition.

13 Other intangible assets

£ millions	Computer software	Other	Total
Cost			
At 1 February 2009	**225**	**14**	**239**
Additions	**36**	**–**	**36**
Disposals	**(7)**	**–**	**(7)**
Exchange differences	**(3)**	**(1)**	**(4)**
At 30 January 2010	**251**	**13**	**264**
Amortisation			
At 1 February 2009	**(162)**	**(4)**	**(166)**
Charge for the year	**(32)**	**(2)**	**(34)**
Disposals	**4**	**–**	**4**
Exchange differences	**2**	**–**	**2**
At 30 January 2010	**(188)**	**(6)**	**(194)**
Net carrying amount			
At 30 January 2010	**63**	**7**	**70**
Cost			
At 3 February 2008	253	8	261
Additions	13	3	16
Disposals	(50)	–	(50)
Disposal of subsidiaries	(1)	–	(1)
Exchange differences	10	3	13
At 31 January 2009	225	14	239
Amortisation			
At 3 February 2008	(173)	(3)	(176)
Charge for the year	(34)	–	(34)
Disposals	50	–	50
Disposal of subsidiaries	1	–	1
Exchange differences	(6)	(1)	(7)
At 31 January 2009	(162)	(4)	(166)
Net carrying amount			
At 31 January 2009	63	10	73

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 1 February 2009	**2,902**	**2,117**	**5,019**
Additions	**95**	**126**	**221**
Disposals	**(36)**	**(111)**	**(147)**
Exchange differences	**(25)**	**(28)**	**(53)**
At 30 January 2010	**2,936**	**2,104**	**5,040**
Depreciation			
At 1 February 2009	**(226)**	**(1,094)**	**(1,320)**
Charge for the year	**(41)**	**(185)**	**(226)**
Impairment losses	**(3)**	**(1)**	**(4)**
Disposals	**3**	**98**	**101**
Exchange differences	**4**	**17**	**21**
At 30 January 2010	**(263)**	**(1,165)**	**(1,428)**
Net carrying amount			
At 30 January 2010	**2,673**	**939**	**3,612**
Cost			
At 3 February 2008	2,838	1,876	4,714
Additions	184	215	399
Disposals	(49)	(49)	(98)
Disposal of subsidiaries	(326)	(112)	(438)
Transfers to investment property	(2)	–	(2)
Exchange differences	257	187	444
At 31 January 2009	2,902	2,117	5,019
Depreciation			
At 3 February 2008	(178)	(838)	(1,016)
Charge for the year	(39)	(196)	(235)
Impairment losses	–	(61)	(61)
Disposals	1	30	31
Disposal of subsidiaries	10	42	52
Exchange differences	(20)	(71)	(91)
At 31 January 2009	(226)	(1,094)	(1,320)
Net carrying amount			
At 31 January 2009	2,676	1,023	3,699
Assets in the course of construction included above at net carrying amount			
At 30 January 2010	**109**	**25**	**134**
At 31 January 2009	124	37	161
Assets held under finance leases included above at net carrying amount			
At 30 January 2010	**27**	**19**	**46**
At 31 January 2009	28	20	48

In the prior year, the Group recognised impairment losses of £61m, including £55m in relation to certain loss making stores in China, and disposed of Castorama Italy (see note 34).

The amount of borrowing costs capitalised in property, plant and equipment in the year has been £3m (2008/09: £3m). The cumulative total of borrowing costs included at the balance sheet date, net of depreciation, is £24m (2008/09: £21m).

Land and buildings are analysed as follows:

£ millions	Freehold	Long leasehold	Short leasehold	2009/10 Total	2008/09 Total
Cost	**2,266**	**120**	**550**	**2,936**	2,902
Depreciation	**(95)**	**(3)**	**(165)**	**(263)**	(226)
Net carrying amount	**2,171**	**117**	**385**	**2,673**	2,676

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 30 January 2010 are £331m and £56m (2008/09: £344m and £57m) respectively.

The Group does not revalue properties within its financial statements. A valuation exercise is performed for internal purposes annually in October by independent external valuers covering over one third of the property portfolio with the remaining portfolio valued internally. Based on this exercise the value of property is £3.0 billion (2008/09: £3.2bn). The key assumption used in calculating this is the estimated yields.

15 Investment property

£ millions	
Cost	
At 1 February 2009	**33**
Additions	**1**
Disposals	**(2)**
Exchange differences	**2**
At 30 January 2010	**34**
Depreciation	
At 1 February 2009	**(9)**
Exchange differences	**(1)**
At 30 January 2010	**(10)**
Net carrying amount	
At 30 January 2010	**24**
Cost	
At 3 February 2008	37
Disposals	(7)
Transfers from property, plant and equipment	2
Exchange differences	1
At 31 January 2009	33
Depreciation	
At 3 February 2008	(8)
Exchange differences	(1)
At 31 January 2009	(9)
Net carrying amount	
At 31 January 2009	24

A property valuation exercise is performed for internal purposes annually as described in note 14. Based on this exercise the fair value of investment property is £52m (2008/09: £49m).

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 1 February 2009	**219**
Share of post-tax results	**26**
Dividends	**(5)**
Exchange differences	**(6)**
At 30 January 2010	**234**
At 3 February 2008	204
Share of post-tax results	(14)
Dividends	(3)
Exchange differences	32
At 31 January 2009	219

In the prior year, a write down of £36m was recorded against the Group's investment in Hornbach due to the challenging trading environment. The write down was included within the Group's share of post-tax results.

No goodwill is included in the carrying amount of investments in joint ventures and associates (2008/09: £nil).

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

	Country of incorporation	% interest held	Class of shares owned	Main activity
Principal joint ventures				
Koçtaş Yapi Marketleri Ticaret A.S. [1]	Turkey	50%	Ordinary	Retailing
Principal associates				
Hornbach Holding A.G. [2]	Germany	21%	Ordinary & preference	Retailing
Crealfi S.A.	France	49%	Ordinary	Finance

[1] Owing to local conditions and to avoid undue delay in the presentation of the Group financial statements, this company prepares its financial statements to 31 December.
[2] This company prepares its financial statements to 28 February (or 29 February in a leap year). In order to avoid undue delay in the presentation of the Group financial statements, the Group records its share of post-tax results for the year ended 30 November.

Aggregate amounts relating to joint ventures and associates:

£ millions	2009/10 Joint ventures	2009/10 Associates	2009/10 Total	2008/09 Joint ventures	2008/09 Associates	2008/09 Total
Non-current assets	**26**	**240**	**266**	24	243	267
Current assets	**52**	**283**	**335**	40	289	329
Current liabilities	**(42)**	**(176)**	**(218)**	(38)	(195)	(233)
Non-current liabilities	**(9)**	**(140)**	**(149)**	(6)	(138)	(144)
Share of net assets	**27**	**207**	**234**	20	199	219
Sales	**132**	**562**	**694**	113	504	617
Operating expenses	**(122)**	**(529)**	**(651)**	(105)	(510)	(615)
Operating profit/(loss)	**10**	**33**	**43**	8	(6)	2
Net finance costs	**(2)**	**(8)**	**(10)**	(3)	(6)	(9)
Profit/(loss) before taxation	**8**	**25**	**33**	5	(12)	(7)
Income tax expense	**(1)**	**(6)**	**(7)**	(1)	(6)	(7)
Share of post-tax results	**7**	**19**	**26**	4	(18)	(14)

18 Inventories

£ millions	2009/10	2008/09
Finished goods for resale	**1,545**	1,792

The cost of inventories recognised as an expense and included in cost of sales for the year ended 30 January 2010 is £6,293m (2008/09: £6,226m).

19 Trade and other receivables

£ millions	2009/10	2008/09
Non-current		
Prepayments	**18**	15
Property receivables	**2**	–
Other receivables	**2**	2
	22	17
Current		
Trade receivables	**69**	60
Provision for bad and doubtful debts	**(15)**	(9)
Net trade receivables	**54**	51
Property receivables	**2**	–
Prepayments	**124**	158
Other receivables	**314**	299
	494	508
Trade and other receivables	**516**	525

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	2009/10	2008/09
Cash at bank and in hand	**222**	234
Short term deposits	**1,038**	923
	1,260	1,157

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	2009/10	2008/09
Current		
Trade payables	**1,323**	1,415
Other taxation and social security	**207**	213
Deferred income	**178**	108
Accruals and other payables	**666**	626
	2,374	2,362
Non-current		
Accruals and other payables	**74**	33
Trade and other payables	**2,448**	2,395

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	2009/10	2008/09
Current		
Bank overdrafts	**125**	163
Bank loans	**136**	213
Medium Term Notes and other fixed term debt	**374**	–
Finance leases	**12**	13
	647	389
Non-current		
Bank loans	**18**	94
Medium Term Notes and other fixed term debt	**812**	1,757
Finance leases	**53**	56
	883	1,907
Borrowings	**1,530**	2,296

Bank overdrafts and loans

Bank overdrafts are repayable on demand and current bank loans mature within the next 12 months. Bank overdrafts and current bank loans are arranged at floating rates of interest. Current bank loans include a Chinese Renminbi loan maturing in July 2010, which bears interest based on the People's Bank of China reference rate and is fixed for periods of up to three months.

Non-current bank loans have an average maturity of two years (2008/09: two years) and are arranged at fixed rates of interest with an effective interest rate of 6.1% (2008/09: 5.5%).

Sterling bank loans of £75m have been repaid in the year, along with a reduction in the level of bank loans in China.

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	Maturity date	Coupon	Effective interest rate	2009/10 Carrying amount	2008/09 Carrying amount
£85m MTN	23/03/10 [1]	6.88%	7.0%	**85**	157
€329m MTN	21/10/10 [2]	4.50%	4.6%	**289**	448
€243m MTN	23/11/12 [3]	4.13%	4.3%	**217**	498
$207m USPP	24/05/13 [5]	6.14%	6.1%	**144**	162
£250m MTN	15/12/14 [4]	5.63%	5.8%	**270**	272
$81m USPP	24/05/16 [5]	6.30%	6.3%	**57**	69
$179m USPP	24/05/18 [5]	6.40%	6.4%	**124**	151
				1,186	1,757

[1] Swapped to floating rate Sterling based on 3 month LIBOR plus a margin using an interest rate swap. £65m has been repurchased in the year. The remaining debt has subsequently been repaid at maturity in March 2010.
[2] €200m swapped to floating rate Euro based on 3 month EURIBOR plus a margin using an interest rate swap. €171m has been repurchased in the year.
[3] Swapped to floating rate Euro based on 3 month EURIBOR plus a margin using an interest rate swap. €307m has been repurchased in the year. €330m had previously been swapped to floating rate Sterling based on 3 month LIBOR plus a margin using a cross-currency swap that matured in February 2009.
[4] Swapped to floating rate Euro based on 3 month EURIBOR plus a margin using a cross-currency interest rate swap.
[5] $467m swapped to floating rate Sterling based on 6 month LIBOR plus a margin using a cross-currency interest rate swap.

The Group values its Medium Term Notes and other fixed term debt 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 30 January 2010, the cumulative effect of interest rate fair value adjustments is to increase the Group's Medium Term Notes and other fixed term debt by £70m (2008/09: £106m).

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 30 January 2010.

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 (2008/09: seven years) and for fixtures and equipment is two years (2008/09: 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:

	2009/10		2008/09	
£ millions	Present value of payments	Minimum payments	Present value of payments	Minimum payments
Less than one year	**12**	**16**	13	18
One to five years	**27**	**36**	23	37
More than five years	**26**	**43**	33	51
Total	**65**	**95**	69	106
Less amounts representing finance charges		**(30)**		(37)
Present value of minimum lease payments		**65**		69

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 8.2% (2008/09: 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:

	2009/10		2008/09	
£ millions	Carrying amount	Fair value	Carrying amount	Fair value
Bank loans	**18**	**17**	94	98
Medium Term Notes and other fixed term debt	**812**	**820**	1,757	1,521
Finance leases	**53**	**75**	56	70
	883	**912**	1,907	1,689

Assets worth RMB 1 billion (£91m) secure a bank facility in China, which matures in July 2010. There were no borrowings secured against assets in the prior year.

23 Derivatives

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

£ millions	2009/10	2008/09
Fair value hedges	**116**	180
Cash flow hedges	**2**	20
Net investment hedges	**(28)**	(75)
Non-designated hedges	**(57)**	48
	33	173
Non-current assets	**81**	180
Current assets	**24**	107
Current liabilities	**(25)**	(38)
Non-current liabilities	**(47)**	(76)
	33	173

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 30 January 2010 net derivative assets included in net debt amount to £20m (2008/09: £135m).

Fair value hedges

Interest rate swap contracts convert fixed rate debt issued under the Group's MTN programme and the US Private Placement to floating rate liabilities. At 30 January 2010 the Sterling equivalent amount of such contracts is £984m (2008/09: £1,391m). €307m of a €550m interest rate swap and £65m of a £150m interest rate swap have been cancelled in the year.

Cash flow hedges

Forward foreign exchange contracts hedge currency exposures of forecast inventory purchases. At 30 January 2010 the Sterling equivalent amount of such contracts is £264m (2008/09: £181m). The associated fair value gains and losses will be transferred to inventories when the purchases occur during the next 12 months. Gains of £5m (2008/09: £10m gains) have been transferred to inventories for contracts which matured during the year.

Swap contracts to hedge the cost of diesel oil for use in the business were entered into during the prior year. At 30 January 2010 the Sterling equivalent amount of such contracts is £nil (2008/09: £4m).

Net investment hedges

Cross-currency interest rate swaps hedge currency exposures of overseas investments. At 30 January 2010 the Sterling equivalent amount of such contracts is £138m (2008/09: £373m).

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 30 January 2010 the Sterling equivalent amount of such contracts is £1,100m (2008/09: £830m). 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 a cross-currrency swap, an interest rate swap and short term foreign exchange contracts. A €330m cross-currency swap has matured in the year.

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

24 Financial risk management

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

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

Interest rate risk

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

Currency risk

The Group's principal currency exposures are to the Euro, US Dollar, Polish Zloty and Chinese Renminbi. The Euro, Polish Zloty and Chinese Renminbi exposures are operational and arise through the ownership of retail businesses in France, Spain, Ireland, Poland and China. Balance sheet Euro translation exposure is substantially 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 (primarily Euro) into Sterling. In addition, the Group has significant transaction exposure arising on the purchase of inventories denominated in US Dollars, which it hedges using forward foreign exchange contracts. Under Group policies, the Group companies are required to hedge committed inventory purchases and a proportion of forecast inventory purchases arising in the next 12 months, and this is monitored on an ongoing basis.

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 is as follows:

	Sterling		Euro		US Dollar		Other		
£ millions	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Total
At 30 January 2010									
Net debt before fair value adjustments and financing derivatives	**(371)**	**357**	**(541)**	**536**	**(289)**	**32**	**57**	**19**	**(200)**
Fair value adjustments to net debt	**(22)**	**–**	**(11)**	**–**	**(37)**	**–**	**–**	**–**	**(70)**
Financing derivatives	**353**	**(1,249)**	**394**	**(31)**	**327**	**129**	**–**	**97**	**20**
Net debt	**(40)**	**(892)**	**(158)**	**505**	**1**	**161**	**57**	**116**	**(250)**
At 31 January 2009									
Net debt before fair value adjustments and financing derivatives	(438)	313	(977)	472	(321)	42	(137)	13	(1,033)
Fair value adjustments to net debt	–	(7)	–	(42)	–	(57)	–	–	(106)
Financing derivatives	400	(1,053)	667	(469)	324	121	–	145	135
Net debt	(38)	(747)	(310)	(39)	3	106	(137)	158	(1,004)

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	2009/10 Net finance costs Income/ (costs)	2008/09 Net finance costs Income/ (costs)
Effect of 1% rise in interest rates on net finance costs		
Sterling	**(9)**	(7)
Euro	**5**	–
US Dollar	**2**	1
Polish Zloty	**1**	(1)
Chinese Renminbi	**–**	(1)

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

24 Financial risk management continued

£ millions	2009/10 Derivative cash flow hedges Increase/ (decrease)	2008/09 Derivative cash flow hedges Increase/ (decrease)
Effect of 10% appreciation in foreign exchange rates on derivative cash flow hedges		
US Dollar against Sterling	**15**	12
US Dollar against Euro	**9**	6

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. At 30 January 2010 the Sterling equivalent amount of such contracts is £264m (2008/09: £181m). See note 23 for further details. The retranslation of foreign currency borrowings and derivatives designated as hedges of net investments in foreign operations is reported in equity, but offset by the retranslation of the hedged net investments.

The sensitivity analysis excludes the impact of movements in market variables on the carrying amount of trade and other payables and receivables, due to the low associated sensitivity, and are before the effect of tax. It has been prepared on the basis that the Group's debt, hedging activities, hedge accounting designations, and foreign currency proportion of debt and derivative contracts remain constant, reflecting the positions at 30 January 2010 and 31 January 2009 respectively. As a consequence, the analysis relates to the position at those dates and is not necessarily representative of the years then ended. In preparing the sensitivity analysis it is assumed that all hedges are fully effective.

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

Liquidity risk

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

The following table analyses the Group's non-derivative financial liabilities and derivative assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. It excludes trade and other payables due to the low associated liquidity risk. The amounts disclosed in the table are the contractual undiscounted cash flows 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 30 January 2010							
Bank overdrafts	**(125)**	**–**	**–**	**–**	**–**	**–**	**(125)**
Bank loans	**(136)**	**(3)**	**(3)**	**(7)**	**(5)**	**–**	**(154)**
Medium Term Notes and other fixed term debt	**(430)**	**(41)**	**(251)**	**(156)**	**(274)**	**(191)**	**(1,343)**
Finance leases	**(16)**	**(12)**	**(9)**	**(8)**	**(7)**	**(43)**	**(95)**
Derivatives – receipts	**55**	**41**	**41**	**156**	**274**	**191**	**758**
Derivatives – payments	**(15)**	**(24)**	**(30)**	**(150)**	**(329)**	**(183)**	**(731)**
At 31 January 2009							
Bank overdrafts	(163)	–	–	–	–	–	(163)
Bank loans	(213)	(83)	(4)	(3)	(8)	–	(311)
Medium Term Notes and other fixed term debt	(85)	(680)	(55)	(544)	(178)	(495)	(2,037)
Finance leases	(18)	(15)	(9)	(7)	(6)	(51)	(106)
Derivatives – receipts	1,034	74	56	55	171	321	1,711
Derivatives – payments	(927)	(25)	(23)	(25)	(124)	(280)	(1,404)

At 30 January 2010 the Group has an undrawn revolving facility of £500m which matures in August 2012. £275m of bilateral facilities were cancelled in the year. The £500m facility contains a covenant requiring that, as at the end of each annual financial reporting period, the ratio of operating profit to net interest payable, excluding exceptional items, should not be less than 3 to 1 for the preceding 12 month period. The Group has complied with this covenant for the year ended 30 January 2010.

Credit risk

The Group deposits surplus cash with a number of banks with strong credit ratings and with money market funds which have the strongest, AAA, credit rating. 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 30 January 2010, the highest cash deposit with a single counterparty was £101m (2008/09: £89m).

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 30 January 2010, trade and other receivables that are past due but not provided against amount to £29m (2008/09: £20m), of which £4m (2008/09: £1m) are over 120 days past due.

Capital risk

Capital risk management disclosures are provided in the Financial review on page 25.

25 Deferred tax

£ millions	2009/10	2008/09
Deferred tax assets	**27**	26
Deferred tax liabilities	**(197)**	(226)
	(170)	(200)

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 1 February 2009	**(66)**	**(187)**	**26**	**5**	**23**	**(1)**	**(200)**
(Charge)/credit to income statement	**(11)**	**4**	**(3)**	**(5)**	**(4)**	**–**	**(19)**
Credit to equity	**–**	**–**	**–**	**–**	**38**	**5**	**43**
Exchange differences	**1**	**5**	**(3)**	**1**	**–**	**2**	**6**
At 30 January 2010	**(76)**	**(178)**	**20**	**1**	**57**	**6**	**(170)**
At 3 February 2008	(122)	(183)	23	7	(23)	5	(293)
Credit/(charge) to income statement	33	11	2	(2)	–	–	44
Credit/(charge) to equity	–	–	–	–	43	(6)	37
Disposal of subsidiaries	37	9	(2)	–	1	–	45
Exchange differences	(14)	(24)	3	–	2	–	(33)
At 31 January 2009	(66)	(187)	26	5	23	(1)	(200)

At the balance sheet date, the Group has unused tax losses of £316m (2008/09: £228m) available for offset against future profits. A deferred tax asset has been recognised in respect of £7m (2008/09: £14m) of such losses. No deferred tax asset has been recognised in respect of the remaining £309m (2008/09: £214m) due to the unpredictability of future profit streams. Included in unrecognised tax losses are tax losses arising in China of £245m (2008/09: £170m) which can only be carried forward in the next one to five years and tax losses arising in Spain of £27m (2008/09: £36m) which can only be carried forward for up to 15 years. Other losses may be carried forward indefinitely.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and joint ventures. As the earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future. Earnings which could be remitted on which there would be tax to pay total £91m (2008/09: £193m).

Included within the charge to the income statement for the year is a £19m charge (2008/09: £49m credit) relating to continuing operations and a £nil charge (2008/09: £5m charge) relating to discontinued operations. In the prior year the Group disposed of Castorama Italy (see note 34).

26 Provisions

£ millions	Onerous property contracts	Restructuring	Total
At 1 February 2009	17	105	122
Charge to income statement	20	–	20
Utilised in the year	(2)	(42)	(44)
Unwinding of discount	1	3	4
Exchange differences	–	(4)	(4)
At 30 January 2010	36	62	98
Current liabilities	8	28	36
Non-current liabilities	28	34	62
	36	62	98

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

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

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

27 Post employment benefits

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

Defined contribution schemes

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

£ millions	2009/10	2008/09
Charge to operating profit	4	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.

The UK scheme was closed to new entrants in 2004. A full actuarial valuation of the scheme is carried out every three years by an independent actuary for the scheme Trustee and the last full valuation was carried out as at 31 March 2007. 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.

Income statement

	2009/10			2008/09		
£ millions	UK	Other	Total	UK	Other	Total
Amounts charged to operating profit						
Current service cost	19	3	22	20	3	23
Amounts charged/(credited) to net finance costs						
Interest on defined benefit obligations	88	3	91	82	2	84
Expected return on pension scheme assets	(87)	–	(87)	(97)	–	(97)
Net interest charge/(return)	1	3	4	(15)	2	(13)
Total charged to income statement	20	6	26	5	5	10

Of the charge to operating profit, £19m (2008/09: £20m) and £3m (2008/09: £3m) are included in selling and distribution expenses and administrative expenses respectively. Actuarial gains and losses have been reported in the statement of comprehensive income.

Balance sheet

£ millions	2009/10 UK	Other	Total	2008/09 UK	Other	Total
Present value of defined benefit obligations	**(1,666)**	**(50)**	**(1,716)**	(1,388)	(49)	(1,437)
Fair value of scheme assets	**1,495**	**23**	**1,518**	1,348	15	1,363
Deficit in scheme	**(171)**	**(27)**	**(198)**	(40)	(34)	(74)

The amount of the defined benefit obligation at 30 January 2010 which relates to funded defined benefit schemes is £1,716m (2008/09: £1,437m).

Movements in the surplus or deficit are as follows:

£ millions	2009/10 UK	Other	Total	2008/09 UK	Other	Total
(Deficit)/surplus in scheme at beginning of year	**(40)**	**(34)**	**(74)**	110	(33)	77
Current service cost	**(19)**	**(3)**	**(22)**	(20)	(3)	(23)
Interest on defined benefit obligations	**(88)**	**(3)**	**(91)**	(82)	(2)	(84)
Expected return on pension scheme assets	**87**	**–**	**87**	97	–	97
Actuarial losses	**(160)**	**(5)**	**(165)**	(186)	(5)	(191)
Contributions paid by employer	**49**	**17**	**66**	41	7	48
Disposal of subsidiaries	**–**	**–**	**–**	–	7	7
Exchange differences	**–**	**1**	**1**	–	(5)	(5)
Deficit in scheme at end of year	**(171)**	**(27)**	**(198)**	(40)	(34)	(74)

In the prior year the Group disposed of Castorama Italy (see note 34).

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

£ millions	2009/10 UK	Other	Total	2008/09 UK	Other	Total
Present value of defined benefit obligations at beginning of year	**(1,388)**	**(49)**	**(1,437)**	(1,350)	(45)	(1,395)
Current service cost	**(19)**	**(3)**	**(22)**	(20)	(3)	(23)
Interest on defined benefit obligations	**(88)**	**(3)**	**(91)**	(82)	(2)	(84)
Actuarial (losses)/gains	**(223)**	**(3)**	**(226)**	25	(5)	20
Contributions paid by employees	**(8)**	**–**	**(8)**	(10)	–	(10)
Benefits paid	**60**	**7**	**67**	49	6	55
Disposal of subsidiaries	**–**	**–**	**–**	–	7	7
Exchange differences	**–**	**1**	**1**	–	(7)	(7)
Present value of defined benefit obligations at end of year	**(1,666)**	**(50)**	**(1,716)**	(1,388)	(49)	(1,437)

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

£ millions	2009/10 UK	Other	Total	2008/09 UK	Other	Total
Fair value of scheme assets at beginning of year	**1,348**	**15**	**1,363**	1,460	12	1,472
Expected return on pension scheme assets	**87**	**–**	**87**	97	–	97
Actuarial gains/(losses) on pension scheme assets	**63**	**(2)**	**61**	(211)	–	(211)
Contributions paid by employer	**49**	**17**	**66**	41	7	48
Contributions paid by employees	**8**	**–**	**8**	10	–	10
Benefits paid	**(60)**	**(7)**	**(67)**	(49)	(6)	(55)
Exchange differences	**–**	**–**	**–**	–	2	2
Fair value of scheme assets at end of year	**1,495**	**23**	**1,518**	1,348	15	1,363

The fair value of scheme assets is analysed as follows:

£ millions	2009/10 UK	Other	Total	% of total	2008/09 UK	Other	Total	% of total
Equities	**502**	**–**	**502**	**33%**	424	–	424	31%
Bonds	**890**	**–**	**890**	**59%**	827	–	827	61%
Property	**78**	**–**	**78**	**5%**	74	–	74	5%
Other	**25**	**23**	**48**	**3%**	23	15	38	3%
Total fair value of scheme assets	**1,495**	**23**	**1,518**	**100%**	1,348	15	1,363	100%

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

27 Post employment benefits continued

Actual returns and history of actuarial gains and losses

The actual returns on pension scheme assets are as follows:

£ millions	2009/10 UK	2009/10 Other	2009/10 Total	2008/09 UK	2008/09 Other	2008/09 Total
Actual return/(loss) on pension scheme assets	**150**	**(2)**	**148**	(114)	–	(114)

The history of actuarial gains and losses is as follows:

£ millions	2009/10	2008/09	2007/08	2006/07	2005/06
Present value of defined benefit obligations	**(1,716)**	(1,437)	(1,395)	(1,432)	(1,459)
Fair value of scheme assets	**1,518**	1,363	1,472	1,377	1,220
(Deficit)/surplus in scheme	**(198)**	(74)	77	(55)	(239)
Changes in assumptions underlying present value of defined benefit obligations	**(226)**	21	116	91	(173)
Percentage of defined benefit obligations	***13%***	*(1%)*	*(8%)*	*(6%)*	*12%*
Experience gains/(losses) arising on defined benefit obligations	**–**	(1)	(12)	–	–
Percentage of defined benefit obligations	**–**	–	*1%*	–	–
Actual return less expected return on pension scheme assets	**61**	(211)	(57)	4	127
Percentage of scheme assets	***4%***	*(15%)*	*(4%)*	–	*10%*
Total (losses)/gains recognised in the statement of comprehensive income in the year	**(165)**	(191)	47	95	(46)
Cumulative losses recognised in the statement of comprehensive income	**(339)**	(174)			

The estimated amount of total contributions expected to be paid to the UK, France and other pension schemes by the Group during the next financial year is £45m.

Principal actuarial valuation assumptions

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

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

Annual % rate	2009/10 UK	2009/10 Other	2008/09 UK	2008/09 Other
Discount rate	**5.5**	**5.3**	6.5	5.3 to 5.5
Salary escalation	**4.2**	**2.0 to 6.6**	4.3	2.0 to 6.6
Rate of pension increases	**3.4**	**–**	3.5	–
Price inflation	**3.4**	**2.0**	3.5	2.0 to 2.5

% rate of return	2009/10 UK	2009/10 Other	2008/09 UK	2008/09 Other
Equities	**7.9**	**–**	8.7	–
Bonds	**4.7**	**–**	5.6	–
Property	**6.4**	**–**	7.1	–
Other	**4.2**	**3.5**	4.3	3.5
Overall expected rate of return	**5.9**	**3.5**	6.7	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 2004 to 2007. The base mortality assumptions have been derived by adjusting standard mortality tables (PA 92 tables) projected forward to 2007 with the medium cohort improvement factors for males and with the standard improvement factors for females. In addition, allowance has been made for future increases in life expectancy. For males, the allowance is in line with medium cohort improvements subject to a minimum rate of improvement of 1% pa, and for females, the allowance is in line with the standard improvements, subject to a minimum of 0.5% pa. These improvements have been set with regard to trends observed within the scheme over the past decade.

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

Years	2009/10	2008/09
Age to which current pensioners are expected to live (60 now)		
– Male	**87.2**	87.2
– Female	**85.9**	85.9
Age to which future pensioners are expected to live (60 in 15 years' time)		
– Male	**88.8**	88.8
– Female	**87.1**	87.1

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

Assumption	Change in assumption	Impact on defined benefit obligation
Discount rate	Increase/decrease by 0.1%	Decrease/increase by £31m
Salary escalation	Increase/decrease by 0.1%	Increase/decrease by £3m
Rate of pension increases	Increase/decrease by 0.1%	Increase/decrease by £17m
Price inflation	Increase/decrease by 0.1%	Increase/decrease by £28m
Mortality	Increase in life expectancy by one year	Increase by £48m

28 Share capital

	Number of ordinary shares millions	Ordinary share capital £ millions
At 1 February 2009	**2,361**	**371**
Shares issued under share schemes	**1**	**–**
At 30 January 2010	**2,362**	**371**
At 3 February 2008	2,361	371
At 31 January 2009	2,361	371

The total number of authorised ordinary shares is 3,023m shares (2008/09: 3,023m shares) with a par value of $15\frac{5}{7}$p per share. All issued shares are fully paid and represent a single class of ordinary shares.

29 Other reserves

£ millions	Cash flow hedge reserve	Translation reserve	Other	Total
At 1 February 2009	**14**	**340**	**159**	**513**
Currency translation differences				
Group	**–**	**17**	**–**	**17**
Joint ventures and associates	**–**	**(6)**	**–**	**(6)**
Cash flow hedges				
Fair value losses	**(13)**	**–**	**–**	**(13)**
Gains transferred to inventories	**(5)**	**–**	**–**	**(5)**
Tax on other comprehensive income	**5**	**5**	**–**	**10**
Other comprehensive income for the year	**(13)**	**16**	**–**	**3**
At 30 January 2010	**1**	**356**	**159**	**516**
At 3 February 2008	(2)	248	159	405
Currency translation differences				
Group	–	152	–	152
Joint ventures and associates	–	32	–	32
Gains transferred to income statement	–	(80)	–	(80)
Cash flow hedges				
Fair value gains	33	–	–	33
Gains transferred to inventories	(10)	–	–	(10)
Tax on other comprehensive income	(7)	(12)	–	(19)
Other comprehensive income for the year	16	92	–	108
At 31 January 2009	14	340	159	513

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

30 Share-based payments

	2009/10		2008/09	
	Options Number	Weighted average exercise price £	Options Number	Weighted average exercise price £
Outstanding at beginning of year	**59,956,785**	**0.62**	35,056,105	1.14
Granted during the year [1, 2]	**25,897,945**	**0.36**	36,997,595	0.31
Forfeited during the year	**(11,169,219)**	**0.40**	(7,782,056)	1.42
Exercised during the year	**(3,279,783)**	**0.45**	(2,287,970)	–
Expired during the year	**(2,229,219)**	**1.54**	(2,026,889)	1.66
Outstanding at end of year	**69,176,509**	**0.54**	59,956,785	0.62
Exercisable at end of year	**4,703,958**	**2.35**	4,274,222	2.38

[1] The charge to the income statement for the years ended 30 January 2010 and 31 January 2009 in respect of share-based payments includes the first year's charge of the 2010 and 2009 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, Retention Plan and Store Manager Incentive Plan options and discounted ShareSave options (see below).

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

Options have been exercised on a regular basis throughout the year. On that basis, the weighted average share price during the year, rather than at the date of exercise, is £1.96 (2008/09: £1.27). The options outstanding at the end of the year have exercise prices ranging from nil to £2.45 and a weighted average remaining contractual life of 2.6 years (2008/09: 3.0 years).

The Group recognised a total expense of £20m in the year (2008/09: £15m) 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	06/04/05	2.86	–	3.5	–	3.7%	–	2.55
	06/04/05	2.86	–	3.5	35.0%	3.7%	–	1.62
	10/04/06	2.31	–	3.5	–	4.6%	–	2.01
	10/04/06	2.31	–	3.5	19.8%	4.6%	–	0.77
	11/04/07	2.77	–	3.5	–	–	–	2.77
	21/04/08	1.28	–	3.5	–	–	–	1.28
	21/04/09	1.63	–	3.5	–	–	–	1.63
Performance Share Plan	28/06/06	2.29	–	3.5	19.8%	–	4.9%	1.04
	24/10/06	2.65	–	3.5	19.6%	–	5.0%	1.36
	11/04/07	2.77	–	3.5	20.2%	–	–	1.68
	01/10/07	1.83	–	3.5	22.4%	–	–	0.26
	01/02/08	1.51	–	3.5	28.2%	–	–	0.92
	01/02/08	1.51	–	4.5	–	–	–	1.51
	21/04/08	1.28	–	4.5	–	–	–	1.28
	24/07/08	1.24	–	4.5	–	–	–	1.24
	01/10/08	1.35	–	3.5	35.9%	–	–	0.79
	01/10/08	1.35	–	4.0	–	–	–	1.35
	21/04/09	1.63	–	4.5	44.9%	–	2.2%	1.17
	21/04/09	1.63	–	4.5	–	–	–	1.63
	30/10/09	2.24	–	3.5	–	–	–	2.24
Kingfisher Retention Plan	16/03/06	2.48	–	2.5	18.9%	4.3%	4.4%	2.28
	28/06/06	2.29	–	2.5	18.9%	4.3%	4.4%	2.11
	21/04/08	1.28	–	1.5 to 4.5	–	–	–	1.28
Store Manager Incentive Plan	21/04/09	1.63	–	2.5	–	3.3%	–	1.52
	21/04/09	1.63	–	3.0 to 3.5	–	3.3%	–	1.48
	30/10/09	2.24	–	2.5	–	2.4%	–	2.11
UK and International ShareSave	01/05/03	2.41	1.87	5.5	35.0%	4.0%	3.8%	0.76
	22/10/04	3.08	2.45	3.5	35.0%	3.3%	4.5%	0.98
	22/10/04	3.08	2.45	5.5	35.0%	3.3%	4.6%	1.08
	27/10/05	2.01	1.76	3.5	35.0%	5.3%	4.3%	0.49
	27/10/05	2.01	1.76	5.5	35.0%	5.3%	4.4%	0.52
	26/10/06	2.65	1.97	3.5	19.9%	4.0%	4.0%	0.75
	26/10/06	2.65	1.97	5.5	28.1%	4.0%	4.0%	0.86
	01/11/07	1.90	1.55	3.5	23.6%	5.6%	5.0%	0.42
	01/11/07	1.90	1.55	5.5	25.5%	5.6%	5.0%	0.44
	29/10/08	1.09	1.09	3.5	36.3%	4.9%	3.4%	0.23
	29/10/08	1.09	1.09	5.5	30.8%	4.9%	3.8%	0.22
	03/11/09	2.24	1.72	3.5	43.6%	2.4%	2.2%	0.51
	03/11/09	2.24	1.72	5.5	36.4%	2.4%	2.9%	0.38
Executive Share Scheme	17/04/03	2.44	2.38	6.0	35.0%	4.0%	4.2%	0.64

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

31 Cash generated by operations

£ millions	2009/10	2008/09
Operating profit	**623**	173
Share of post-tax results of joint ventures and associates	**(26)**	14
Depreciation and amortisation	**260**	265
Impairment losses	**4**	185
(Profit)/loss on disposal of property, plant and equipment, investment property and intangible assets	**(1)**	11
Share-based compensation charge	**20**	15
Decrease in inventories	**234**	169
(Increase)/decrease in trade and other receivables	**(18)**	69
Increase/(decrease) in trade and other payables	**102**	(23)
Movement in provisions	**(24)**	14
Movement in post employment benefits	**(44)**	(25)
Cash generated by operations – continuing operations	**1,130**	867

32 Net debt

£ millions	2009/10	2008/09
Cash and cash equivalents	**1,260**	1,157
Bank overdrafts	**(125)**	(163)
Cash and cash equivalents and bank overdrafts	**1,135**	994
Bank loans	**(154)**	(307)
Medium Term Notes and other fixed term debt	**(1,186)**	(1,757)
Financing derivatives	**20**	135
Finance leases	**(65)**	(69)
Net debt	**(250)**	(1,004)

£ millions	2009/10	2008/09
Net debt at beginning of year	**(1,004)**	(1,559)
Net increase in cash and cash equivalents and bank overdrafts	**174**	743
Disposal of current other investments	**–**	(12)
Repayment of bank loans	**130**	37
Repayment of Medium Term Notes and other fixed term debt	**500**	–
(Receipt)/payment on financing derivatives	**(78)**	5
Capital element of finance lease rental payments	**14**	12
Cash flow movement in net debt	**740**	785
Exchange differences and other non-cash movements	**14**	(230)
Net debt at end of year	**(250)**	(1,004)

33 Acquisitions

There have been no significant acquisitions in the current year.

In the prior year, the Group acquired the remaining minority interests in three of its B&Q China subsidiaries for a cash consideration of £2m. In addition, £5m of cash consideration relating to an acquisition in 2007/08 was paid.

34 Discontinued operations

There have been no significant disposals in the current year. In the prior year, Kingfisher completed the sale of its Castorama Italy business to Groupe Adeo S.A. on 30 January 2009. The disposed business is classified as a discontinued operation in these financial statements. A summary of the prior year results, earnings per share and cash flows of the Castorama Italy business is set out below:

£ millions	2008/09
Sales	368
Operating expenses	(334)
Operating profit	34
Net finance income	1
Profit before taxation	35
Income tax expense	(9)
Profit from discontinued operations before exceptional profit on disposal	26
Exceptional profit on disposal (see below)	178
Profit from discontinued operations	204

Pence	2008/09
Basic earnings per share	8.7
Diluted earnings per share	8.7

£ millions	2008/09
Net cash flows from operating activities before tax paid on disposal	29
Net cash flows from investing activities before proceeds received on disposal	(12)
Net cash flows from financing activities	1
Net increase in cash and cash equivalents and bank overdrafts from discontinued operations before proceeds received and tax paid on disposal	18
Proceeds received on disposal (see below)	534
Tax paid on disposal	(6)
Net increase in cash and cash equivalents and bank overdrafts from discontinued operations	546

The Castorama Italy business was classified as a disposal group held for sale from 1 August 2008 (the date of announcement of the agreement to sell) up to 30 January 2009 (the date the sale was completed). Accordingly, depreciation and amortisation of £6m were not charged with respect to Castorama Italy during this period. If depreciation and amortisation had been charged, operating profit and retail profit for the year would have been £28m.

The profit on disposal is analysed as follows:

£ millions	2008/09
Proceeds (net of cash disposal costs of £4m) before cash and cash equivalents disposed	548
Cash and cash equivalents disposed	(14)
Proceeds received on disposal	534
Other disposal costs	(6)
Net proceeds on disposal	528
Net assets disposed excluding cash and cash equivalents (see below)	(404)
Currency translation gains transferred from translation reserve	80
Exceptional profit on disposal before tax	204
Exceptional tax on profit on disposal	(26)
Exceptional profit on disposal	178

£ millions	2008/09
Goodwill	55
Property, plant and equipment	386
Inventories, trade and other receivables/(payables)	13
Deferred tax liabilities	(45)
Post employment benefits	(7)
Other net assets	2
Net assets disposed excluding cash and cash equivalents	404

35 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.

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

£ millions	2009/10 Land and buildings	2009/10 Plant and equipment	2008/09 Land and buildings	2008/09 Plant and equipment
Less than one year	**402**	**22**	388	20
One to five years	**1,509**	**32**	1,481	39
More than five years	**3,206**	**1**	3,202	1
	5,117	**55**	5,071	60

The total of future minimum operating sublease receipts expected to be received is £111m (2008/09: £106m).

Capital commitments

Capital commitments contracted but not provided for by the Group amount to £56m (2008/09: £71m).

36 Contingent liabilities

Kingfisher plc has an obligation to provide a bank guarantee for £50m (2008/09: £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 30 January 2010 is £36m (2008/09: £35m).

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.

37 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:

£ millions	2009/10 Income/ (expense)	2009/10 Receivable/ (payable)	2008/09 Income/ (expense)	2008/09 Receivable/ (payable)
Transactions with Crealfi S.A. in which the Group holds a 49% interest				
Provision of employee services	**0.1**	**–**	0.2	–
Commission and other income	**7.1**	**1.3**	4.2	0.3
Transactions with Koçtaş Yapi Marketleri Ticaret A.S. in which the Group holds a 50% interest				
Commission and other income	**0.6**	**0.3**	0.6	0.3
Transactions with Hornbach Holding A.G. in which the Group holds a 21% interest				
Provision of employee services	**–**	**–**	0.1	–
Commission and other income	**2.8**	**0.3**	0.6	0.2
Other expenses	**(0.2)**	**–**	(0.3)	–
Transactions with Kingfisher Pension Scheme				
Provision of administrative services	**1.5**	**0.1**	1.6	0.1

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

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

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

Independent auditors' report to the members of Kingfisher plc

We have audited the Group financial statements of Kingfisher plc for the year ended 30 January 2010 which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, Consolidated balance sheet, Consolidated cash flow statement and the related notes 1 to 37. 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 auditors' 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 auditors

As explained more fully in the Directors' statement of responsibility, 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 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 (APB'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.

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 30 January 2010 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 matter 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 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' statement of responsibility in relation to going concern; and
- the part of the Corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter

We have reported separately on the Parent Company financial statements of Kingfisher plc for the year ended 30 January 2010.

Panos Kakoullis (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
24 March 2010

Company balance sheet

At 30 January 2010

£ millions	Notes	2009/10	2008/09
Fixed assets			
Tangible fixed assets	3	**1**	1
Investments	4	**6,765**	5,585
		6,766	5,586
Current assets			
Debtors due within one year	5	**2,576**	2,719
Debtors due after more than one year	5	**88**	187
Cash at bank and in hand		**927**	901
		3,591	3,807
Current liabilities			
Creditors: amounts falling due within one year	6	**(4,848)**	(3,232)
Net current (liabilities)/assets		**(1,257)**	575
Total assets less current liabilities		**5,509**	6,161
Non-current liabilities			
Creditors: amounts falling due after more than one year	7	**(859)**	(1,856)
Provisions for liabilities and charges	8	**(7)**	(4)
		(866)	(1,860)
Net assets excluding net pension liability		**4,643**	4,301
Net pension liability	9	**(5)**	(1)
Net assets		**4,638**	4,300
Capital and reserves			
Called up share capital	10	**371**	371
Share premium account	11	**2,191**	2,188
Other reserves	11	**711**	711
Profit and loss account	11	**1,365**	1,030
Equity shareholders' funds	12	**4,638**	4,300

The financial statements were approved by the Board of Directors on 24 March 2010 and signed on its behalf by:

Ian Cheshire
Group Chief Executive

Kevin O'Byrne
Group Finance Director

Notes to the Company financial statements

1 Principal accounting policies

The financial statements of Kingfisher plc ('the Company') are made up to the nearest Saturday to 31 January each year.

The directors of Kingfisher plc, having made appropriate enquiries, consider that adequate resources exist for the Company to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the financial statements for the year ended 30 January 2010. Refer to the Directors' statement of responsibility on page 34.

The financial statements have been prepared under the historical cost convention, as modified by the use of valuations for certain financial instruments, share-based payments and pensions, and are prepared in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006.

The Company's financial statements are included in the consolidated financial statements of Kingfisher plc. As permitted by section 408 of the Companies Act 2006, the profit and loss account and statement of total recognised gains and losses are not presented. The Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1, 'Cash flow statements'. The Company is exempt under the terms of FRS 8, 'Related party disclosures', from disclosing related party transactions with wholly owned subsidiaries of Kingfisher plc. The Company has taken advantage of the exemption to provide financial instrument disclosures under the terms of FRS 29, 'Financial instruments: Disclosures'.

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

The following amendment became effective in these financial statements, but did not have a significant impact on the Company's results:

FRS 20 (amendment)	Share-based payments – Vesting conditions and cancellations	Clarifies that vesting conditions are service conditions and performance conditions only. Other features that are not vesting conditions are required to be included in the grant date fair value.

The following amendments became effective in these financial statements but had no impact on the Company's results:

FRS 8 (amendment)	Related party disclosures	Removes the scope exclusion for 90% owned subsidiary undertakings and replaces it with wholly owned subsidiaries only.
FRS 29 (amendment)	Improving disclosures about financial instruments	Requires enhanced disclosures about fair value measurements and liquidity risk.

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:

Euro/£	2009/10	2008/09
Year end rate	**1.15**	1.12

b. Tangible fixed assets

Tangible fixed assets are carried in the balance sheet at cost less accumulated depreciation and any provisions for impairment. Depreciation is provided to reflect a straight line reduction from cost to estimated residual value over the estimated useful life of the asset as follows:

Fixtures and fittings	–	between 4 and 20 years
Computers and electronic equipment	–	between 2 and 5 years
Motor cars	–	4 years

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

c. Investments

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

d. Operating leases

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

1 Principal accounting policies continued

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.

(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.

Notes to the Company financial statements

2 Profit and loss account disclosures

The Company's audit fee is £0.2m (2008/09: £0.5m).

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

Employees

£ millions	2009/10	2008/09
Wages and salaries	**18**	15
Social security costs	**3**	2
Pensions		
Defined contribution	**1**	1
Defined benefit	**1**	1
Share-based payments	**5**	2
Employee benefit expenses	**28**	21

Number	2009/10	2008/09
Average number of persons employed		
Administration	**117**	116

Directors' remuneration and details of share option exercises are disclosed in the Directors' remuneration report on pages 41 to 53. Total directors' remuneration for the year is £4.4m (2008/09: £4.7m).

3 Tangible fixed assets

£ millions	Fixtures, fittings and equipment
Cost	
At 1 February 2009	**4**
At 30 January 2010	**4**
Depreciation	
At 1 February 2009	**(3)**
At 30 January 2010	**(3)**
Net carrying amount	
At 30 January 2010	**1**
At 31 January 2009	1

4 Investments

£ millions	Investments in Group undertakings
At 1 February 2009	**5,585**
Additions	**1,198**
Impairment	**(18)**
At 30 January 2010	**6,765**

Additions to investments in Group undertakings represent £1,198m (2008/09: £10m) of capital injections into a number of subsidiary undertakings as part of Group restructuring activities undertaken.

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A full list of subsidiary undertakings is attached to the latest annual return. The following information relates to those Group undertakings at the year end whose results or financial position, in the opinion of the directors, principally affect the figures of the consolidated financial statements of Kingfisher plc.

	Country of incorporation and operation	% interest held and voting rights	Class of share owned	Main activity
B&Q plc [1]	Great Britain	100%	Ordinary & special [2]	Retailing
B&Q Ireland Limited	Ireland	100%	Ordinary	Retailing
B&Q Properties Limited	Great Britain	100%	Ordinary	Property investment
Screwfix Direct Limited	Great Britain	100%	Ordinary	Retailing
Castorama France S.A.S. [3]	France	100%	Ordinary	Retailing
Immobilière Castorama S.A.S. [3]	France	100%	Ordinary	Property investment
Brico Dépôt S.A.S. [3]	France	100%	Ordinary	Retailing
Eurodépôt Immobilier S.A.S. [3]	France	100%	Ordinary	Property investment
Castorama Polska Sp.z.o.o. [3]	Poland	100%	Ordinary	Retailing
B&Q (China) B.V. [4]	Netherlands	100%	Ordinary	Holding company
B&Q Asia Holdings Ltd [5]	Hong Kong	100%	Ordinary	Holding company
Euro Depot España S.A. [3]	Spain	100%	Ordinary	Retailing
Castorama RUS LLC [6]	Russia	100%	Ordinary	Retailing
Halcyon Finance Ltd [7]	Great Britain	100%	Ordinary	Finance
Castorama Dubois Investissements S.C.A. [1,3]	France	100%	Ordinary	Holding company
Kingfisher France S.A.S. [3]	France	100%	Ordinary	Holding company
Sheldon Holdings Limited [7]	Great Britain	100%	Ordinary	Holding company
Zeus Land Investments Limited	Great Britain	100%	Ordinary	Holding company

[1] The Castorama and B&Q group is 100% owned, of which 45% is held directly by Kingfisher plc.
[2] The special shares in B&Q are owned 100% by Kingfisher plc and are non-voting.
[3] Owing to local conditions, these companies prepare their financial statements to 31 January.
[4] Holding company for the Group's Chinese retailing operations, which have a 31 December year end.
[5] Holding company for the Group's former OBI China retailing operations, which have a 31 December year end.
[6] Owing to local conditions and to avoid undue delay in the presentation of the Group financial statements, this company prepares its financial statements to 31 December.
[7] Held directly by Kingfisher plc.

5 Debtors

£ millions	2009/10	2008/09
Amounts falling due within one year		
Owed by Group undertakings	**2,526**	2,622
Corporation tax	**30**	27
Derivatives	**19**	68
Other debtors	**1**	2
	2,576	2,719
Amounts falling due after more than one year		
Derivatives	**80**	180
Deferred tax assets	**8**	7
	88	187

6 Creditors: amounts falling due within one year

£ millions	2009/10	2008/09
Bank overdrafts and loans	**4**	50
Medium Term Notes and other fixed term debt	**374**	–
Derivatives	**18**	25
Owed to Group undertakings	**4,399**	3,106
Accruals and other payables	**53**	51
	4,848	3,232

7 Creditors: amounts falling due after more than one year

£ millions	2009/10	2008/09
Borrowings		
Bank loans	**–**	25
Medium Term Notes and other fixed term debt	**812**	1,757
	812	1,782
Derivatives	**47**	74
	859	1,856
Borrowings fall due for repayment as follows:		
One to two years	**–**	631
Two to five years	**631**	661
More than five years	**181**	490
	812	1,782

8 Provisions for liabilities and charges

£ millions	Onerous property contracts
At 1 February 2009	**4**
Charge to profit and loss account	**3**
At 30 January 2010	**7**

Within the onerous property contracts provision, the Company has provided against future liabilities for all properties sublet at a shortfall and long term idle properties. The provision is based on the present value of future cash outflows relating to rent, rates and service charges.

9 Net pension liability

The Company participates in both a funded defined benefit scheme and a funded defined contribution scheme.

Defined contribution scheme

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

£ millions	2009/10	2008/09
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 2007 and has been updated to 30 January 2010.

Profit and loss account

£ millions	2009/10	2008/09
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)**	(3)
Net interest return	**–**	(1)
Total charged to profit and loss account	**1**	–

Balance sheet

£ millions	2009/10	2008/09
Present value of defined benefit obligation	**(49)**	(41)
Fair value of scheme assets	**44**	40
Net pension liability	**(5)**	(1)

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

£ millions	2009/10	2008/09
Present value of defined benefit obligation at beginning of year	**(41)**	(41)
Current service cost	**(1)**	(1)
Interest on defined benefit obligation	**(3)**	(2)
Actuarial (losses)/gains	**(6)**	1
Benefits paid	**2**	2
Present value of defined benefit obligation at end of year	**(49)**	(41)

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

£ millions	2009/10	2008/09
Fair value of scheme assets at beginning of year	**40**	44
Expected return on pension scheme assets	**3**	3
Actuarial gains/(losses)	**1**	(7)
Contributions paid by employer	**2**	2
Benefits paid	**(2)**	(2)
Fair value of scheme assets at end of year	**44**	40

The fair value of scheme assets is analysed as follows:

	2009/10		2008/09	
	£ millions	% of total	£ millions	% of total
Equities	**15**	**34%**	13	33%
Bonds	**26**	**59%**	25	62%
Property	**2**	**5%**	2	5%
Other	**1**	**2%**	–	–
Total fair value of scheme assets	**44**	**100%**	40	100%

The pension scheme does not hold any assets other than those disclosed above.

9 Net pension liability continued

Actual returns and history of actuarial gains and losses

The actual returns on pension scheme assets are as follows:

£ millions	2009/10	2008/09
Actual return/(loss) on pension scheme assets	**4**	(4)

The history of actuarial gains and losses is as follows:

£ millions	2009/10	2008/09	2007/08	2006/07	2005/06
Present value of defined benefit obligation	**(49)**	(41)	(41)	(46)	(41)
Fair value of scheme assets	**44**	40	44	45	35
Net pension (liability)/asset before deferred tax	**(5)**	(1)	3	(1)	(6)
Changes in assumptions underlying present value of defined benefit obligation	**(6)**	1	3	(3)	(5)
Percentage of defined benefit obligation	***12%***	*(2%)*	*(7%)*	*7%*	*12%*
Actual return less expected return on pension scheme assets	**1**	(7)	(2)	5	4
Percentage of scheme assets	***2%***	*(18%)*	*(5%)*	*11%*	*11%*
Total (losses)/gains recognised in the profit and loss reserve in the year	**(5)**	(6)	1	2	(1)

No experience gains or losses arose on the defined benefit obligation in the current or prior years.

The estimated amount of contributions expected to be paid to the pension scheme by the Company during the next financial year is £2m.

Principal actuarial valuation assumptions

The assumptions used in calculating the costs and obligations of the defined benefit pension schemes are set by the directors after consultation with independent professionally qualified actuaries. The assumptions are based on the conditions at the time and changes in these assumptions can lead to significant movements in the estimated obligation.

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

Annual % rate	2009/10	2008/09
Discount rate	**5.5**	6.5
Salary escalation	**4.2**	4.3
Rate of pension increases	**3.4**	3.5
Price inflation	**3.4**	3.5

% rate of return	2009/10	2008/09
Equities	**7.9**	8.7
Bonds	**4.7**	5.6
Property	**6.4**	7.1
Other	**4.2**	4.3
Overall expected rate of return	**5.9**	6.7

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 2004 to 2007. The base mortality assumptions have been derived by adjusting standard mortality tables (PA 92 tables) projected forward to 2007 with the medium cohort improvement factors for males and with the standard improvement factors for females. In addition, allowance has been made for future increases in life expectancy. For males, the allowance is in line with medium cohort improvements subject to a minimum rate of improvement of 1% pa, and for females, the allowance is in line with the standard improvements, subject to a minimum of 0.5% pa. These improvements have been set with regard to trends observed within the scheme over the past decade.

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

Years	2009/10	2008/09
Age to which current pensioners are expected to live (60 now)		
– Male	**87.2**	87.2
– Female	**85.9**	85.9
Age to which future pensioners are expected to live (60 in 15 years' time)		
– Male	**88.8**	88.8
– Female	**87.1**	87.1

10 Called up share capital

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

The total number of authorised ordinary shares is 3,023m shares (2008/09: 3,023m shares) with a par value of $15^{5}/_{7}$p per share. All issued shares are fully paid and represent a single class of ordinary shares.

11 Reserves

£ millions	Share premium account	Other reserves	Profit and loss account	Total
At 1 February 2009	**2,188**	**711**	**1,030**	**3,929**
Profit for the year	**–**	**–**	**464**	**464**
Actuarial losses on defined benefit pension scheme	**–**	**–**	**(5)**	**(5)**
Tax on items recognised directly in equity shareholders' funds	**–**	**–**	**1**	**1**
Share-based compensation	**–**	**–**	**5**	**5**
Shares issued under share schemes	**3**	**–**	**–**	**3**
Own shares purchased	**–**	**–**	**(7)**	**(7)**
Own shares disposed	**–**	**–**	**2**	**2**
Dividends	**–**	**–**	**(125)**	**(125)**
At 30 January 2010	**2,191**	**711**	**1,365**	**4,267**

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 30 January 2010 is £54m (2008/09: £57m).

12 Reconciliation of movement in equity shareholders' funds

£ millions	2009/10	2008/09
Profit/(loss) for the year	**464**	(1,947)
Dividends	**(125)**	(125)
	339	(2,072)
Actuarial losses on defined benefit pension scheme	**(5)**	(6)
Tax on items recognised directly in equity shareholders' funds	**1**	2
Share-based compensation	**5**	2
Shares issued under share schemes	**3**	–
Own shares purchased	**(7)**	–
Own shares disposed	**2**	5
Net increase/(decrease) in equity shareholders' funds	**338**	(2,069)
Equity shareholders' funds at beginning of year	**4,300**	6,369
Equity shareholders' funds at end of year	**4,638**	4,300

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 41 to 53, are shown below:

	Date of grant	Exercisable from	Exercise price £	2009/10 Options Number	2008/09 Options Number
Kingfisher Incentive Share Scheme	10/04/06	10/04/09	–	**–**	971,459
	10/04/06	10/04/09	–	**–**	169,792
	11/04/07	11/04/10	–	**1,401,842**	1,683,652
	21/04/08	21/04/11	–	**2,717,585**	3,287,837
	21/04/09	21/04/12	–	**3,299,353**	–
				7,418,780	6,112,740
Restricted Special Awards	01/04/07	01/04/09	–	**–**	19,766
	30/04/07	30/04/09	–	**–**	14,814
	30/04/07	30/04/10	–	**12,962**	12,962
	01/05/07	01/05/09	–	**–**	36,463
	01/05/07	01/05/10	–	**36,463**	36,463
	18/06/07	18/06/09	–	**–**	8,225
	18/06/07	18/06/10	–	**6,191**	6,191
	19/11/07	31/03/09	–	**–**	28,801
	10/06/08	10/06/09	–	**–**	22,900
	10/06/08	10/06/10	–	**–**	15,267
	20/11/08	01/04/12	–	**20,000**	20,000
	01/04/09	01/04/12	–	**70,000**	–
	01/06/09	09/05/10	–	**8,368**	–
	01/06/09	09/05/11	–	**4,463**	–
	10/08/09	04/07/11	–	**7,929**	–
	23/11/09	01/04/11	–	**14,127**	–
	23/11/09	01/04/12	–	**14,427**	–
				194,930	221,852
Performance Share Plan	28/06/06	28/06/09	–	**–**	1,252,969
	24/10/06	24/10/09	–	**–**	1,164,686
	11/04/07	11/04/10	–	**833,815**	1,031,514
	01/10/07	01/10/10	–	**1,469,187**	1,829,857
	01/02/08	01/02/11	–	**1,193,477**	1,114,206
	01/02/08	01/02/12	–	**1,193,477**	1,114,206
	21/04/08	21/04/12	–	**10,961,747**	13,276,650
	24/07/08	24/07/12	–	**1,328,997**	1,328,997
	01/10/08	01/10/11	–	**1,999,564**	1,935,275
	01/10/08	01/02/12	–	**684,801**	656,392
	21/04/09	21/04/13	–	**3,695,056**	–
	30/10/09	30/10/12	–	**930,845**	–
				24,290,966	24,704,752
Kingfisher Retention Plan	21/04/08	21/04/09	–	**–**	1,122,500
	21/04/08	21/04/11	–	**1,055,000**	1,437,500
	21/04/08	21/04/12	–	**2,015,000**	2,750,000
				3,070,000	5,310,000

	Date of grant	Exercisable from	Exercise price £	2009/10 Options Number	2008/09 Options Number
Store Manager Incentive Plan	21/04/09	21/04/11	–	**2,047,500**	–
	21/04/09	21/04/12	–	**7,427,250**	–
	30/10/09	21/04/12	–	**1,208,840**	–
				10,683,590	–
UK and International ShareSave	01/05/03	01/07/08	1.87	**–**	252,506
	22/10/04	01/12/09	2.45	**526,620**	599,309
	27/10/05	01/12/08	1.76	**–**	1,710,065
	27/10/05	01/12/10	1.76	**600,783**	684,280
	26/10/06	01/12/09	1.97	**405,455**	1,270,059
	26/10/06	01/12/11	1.97	**662,929**	825,019
	01/11/07	01/12/10	1.55	**1,782,137**	2,226,433
	01/11/07	01/12/12	1.55	**1,020,667**	1,225,548
	29/10/08	01/12/11	1.09	**5,749,294**	6,313,572
	29/10/08	01/12/13	1.09	**3,859,139**	4,226,428
	03/11/09	01/12/12	1.72	**3,534,320**	–
	03/11/09	01/12/14	1.72	**1,605,016**	–
				19,746,360	19,333,219
Executive, International Executive and Phantom Share Options	01/04/99	01/04/04	5.90	**–**	373,390
	26/05/99	26/05/04	6.08	**–**	6,105
	28/09/99	28/09/04	4.83	**–**	41,922
	17/04/00	17/04/04	3.93	**892,027**	1,080,135
	25/09/00	25/09/04	3.57	**416,232**	490,666
	26/09/01	26/09/04	2.10	**526,941**	540,027
	26/09/01	26/09/05	2.07	**471,031**	471,031
	09/04/02	09/04/05	2.90	**1,635,731**	1,807,248
	09/04/02	09/04/06	2.86	**701,976**	701,976
	08/10/02	08/10/05	1.95	**1,307,525**	1,520,905
	08/10/02	08/10/06	1.95	**789,059**	853,126
	17/04/03	17/04/06	2.38	**2,508,231**	2,844,462
	17/04/03	17/04/07	2.38	**1,263,652**	1,429,760
				10,512,405	12,160,753
Total				**75,917,031**	67,843,316

The Kingfisher Incentive Share Scheme ('KISS') and Performance Share Plan are described as part of the Directors' remuneration report on pages 41 to 53. Restricted Special Awards were originally reported under the KISS. These 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 the individual grants.

Certain employees, excluding directors, have been granted contingent share awards under the Kingfisher Retention Plan.

The Store Manager Incentive Plan provided provisional awards to store managers in 2009 that will vest in April 2011 and April 2012. There are performance conditions based on store standards and an award will lapse if these are not maintained throughout the three year 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 Inland Revenue approved savings contracts for a period of three or five years, whereby shares may be acquired with repayments under the contract. The option price is the average market price over three days shortly before an offer to subscribe, discounted by 20%. Options are exercisable within a six month period from the conclusion of a three or five year period. The International ShareSave scheme, which operates along the lines of the UK ShareSave scheme, includes eligible employees in certain overseas locations.

The last grant of options under the Executive, International Executive and Phantom Share Option schemes was made in April 2003. Under these schemes, participants received a bi-annual grant of options based on their position in the Group. These options are normally exercisable from the third anniversary of the date of the grant (up to the tenth anniversary), except where the performance condition has not been met, in which case this date is deferred accordingly. The performance conditions for all options have now been met, except for the grant made in April 2003. On the exercise of Phantom Share Options, participants receive in cash the increase in value of the allocated number of shares in the Company.

The rules of all schemes include provision for the early exercise of options in certain circumstances.

Under FRS 20, 'Share-based Payment', the Company recognises a charge for share options granted after 7 November 2002. The Company has not repeated the disclosures required by FRS 20 as these are already included in note 30 of the Kingfisher plc consolidated financial statements.

13 Share options continued

The Employee Share Ownership Plan Trust ('ESOP')

The ESOP is funded by an interest free loan from the Company of £51m (2008/09: £56m) to enable it to acquire shares in Kingfisher plc. The shares are used to satisfy options awarded under the KISS, Performance Share Plan, Kingfisher Retention Plan, Store Manager Incentive Plan, International ShareSave, Executive, International Executive and Phantom Share Options schemes.

The ESOP's shareholding at 30 January 2010 is 15 million shares (2008/09: 15 million shares) with a nominal value of £2m (2008/09: £2m) and a market value of £32m (2008/09: £21m). Dividends on these shares were waived for the interim and final dividends.

During the year the ESOP purchased an additional three million shares at a cost of £7m to hold in the trust.

14 Contingent liabilities

The Company has an obligation to provide a bank guarantee for £50m (2008/09: £50m) to the liquidators of Kingfisher International France Limited in the event that the Company's credit rating falls below 'BBB'. The obligation arises from an indemnity provided in June 2003 as a result of the demerger of Kesa Electricals.

In addition, the Group has arranged for certain bank guarantees to be provided to third parties in the ordinary course of business. The total amount outstanding at 30 January 2010 is £4m (2008/09: £4m).

Independent auditors' report to the members of Kingfisher plc

We have audited the Parent Company financial statements of Kingfisher plc for the year ended 30 January 2010 which comprise the Parent Company balance sheet and the related notes 1 to 14. 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 auditors' 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 auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Parent Company's affairs as at 30 January 2010;
- 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 Parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Kingfisher plc for the year ended 30 January 2010 and on the information in the Directors' remuneration report that is described as having been audited.

Panos Kakoullis (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
24 March 2010

Group five year financial summary

£ millions	2005/06 [1] 52 weeks	2006/07 [1,2] 53 weeks	2007/08 [1,2] 52 weeks	2008/09 52 weeks	2009/10 52 weeks
Income statement					
Sales	7,743	8,364	9,050	10,026	**10,503**
Retail profit	504	473	469	503	**664**
Central costs	(38)	(39)	(40)	(41)	**(41)**
Share of interest and tax of joint ventures and associates	(10)	(13)	(5)	(16)	**(17)**
Operating profit before exceptional items	456	421	424	446	**606**
Net finance costs before financing fair value remeasurements	(40)	(55)	(67)	(78)	**(59)**
Adjusted pre-tax profit	416	366	357	368	**547**
Exceptional items	(215)	49	4	(273)	**17**
Financing fair value remeasurements	2	5	5	(5)	**2**
Profit before taxation	203	420	366	90	**566**
Income tax expense	(82)	(102)	(114)	(88)	**(181)**
Profit from continuing operations	121	318	252	2	**385**
Balance sheet					
Goodwill and other intangible assets	2,660	2,641	2,617	2,469	**2,465**
Property, plant and equipment and investment property	3,281	3,240	3,727	3,723	**3,636**
Investments in joint ventures and associates	185	185	204	219	**234**
Net current assets/(liabilities) [3]	72	(51)	(23)	(278)	**(648)**
Post employment benefits	(240)	(55)	77	(74)	**(198)**
Other net non-current liabilities [3]	(282)	(245)	(319)	(257)	**(284)**
Capital employed	5,676	5,715	6,283	5,802	**5,205**
Equity shareholders' funds	4,311	4,414	4,713	4,783	**4,945**
Minority interests	10	7	11	15	**10**
Net debt	1,355	1,294	1,559	1,004	**250**
Capital employed	5,676	5,715	6,283	5,802	**5,205**
KPIs					
Like-for-like sales growth	(2.4%)	0.8%	2.8%	(4.1%)	**(1.5%)**
Effective tax rate	33%	32%	31%	31%	**30%**
Basic earnings per share (pence)	5.2	13.6	10.9	0.2	**16.5**
Adjusted basic earnings per share (pence)	11.8	10.6	10.6	11.0	**16.4**
Dividend per share (pence)	10.65	10.65	7.25	5.325	**5.5**
Gross capital expenditure [4]	482	436	513	390	**256**

[1] Income statement, like-for-like sales growth, effective tax rate, basic and adjusted earnings per share and gross capital expenditure restated for discontinuance of Castorama Italy in 2008/09.
[2] Like-for-like sales growth in 2006/07 calculated by comparing 53 weeks against the equivalent 53 weeks of the prior year. 2007/08 growth calculated by comparing 52 weeks against the equivalent 52 weeks of the prior year. This only impacted UK operations with all other operations reporting on a calendar basis. The effect of the 53rd week on 2006/07 results was an increase of £79m in reported sales, but with no significant impact on operating profit.
[3] Net current assets/(liabilities) and other net non-current liabilities reported above exclude any components of net debt.
[4] Excluding business acquisitions.

Shareholder information

Annual General Meeting

The Annual General Meeting of Kingfisher plc will be held on Thursday 17 June 2010 at 11.00am at the Paddington London Hilton Hotel, 146 Praed Street, London W2 1EE.

Results and Financial Diary

The proposed financial calendar is as follows:

First quarter results	3 June 2010
Pre-close first half trading	22 July 2010
Interim results to 31 July 2010	16 September 2010
Third quarter results	2 December 2010
Fourth quarter results	18 February 2011
Preliminary results to 31 January 2011	24 March 2011

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, may be referred to the Company's Registrar using the contact details above. A Shareholder Helpline is available on UK business days between 8.30am to 5.00pm and contains an automated self-service functionality which is available 24 hours a day.

Low cost share dealing facilities

Shareholders have the opportunity to buy or sell Company shares using a low cost share dealing facility operated by the Registrar.

- **Telephone share dealing:** Commission is 1%, subject to a minimum charge of £25, stamp duty at 0.5% is payable on purchases. The service is available from 8.00am to 4.30pm Monday to Friday excluding bank holidays. Telephone: 0870 703 0084.

- **Internet share dealing:** Commission is 0.5%, subject to a minimum charge of £15, stamp duty at 0.5% is payable on purchases. The service is available to place orders out of market hours. Simply log onto http://www.investorcentre.co.uk.

Terms and conditions of both of these services can be obtained by calling 0870 702 0129.

Unauthorised brokers (boiler room scams)

Kingfisher plc is legally obliged to make its share register available to the general public. Consequently some shareholders may receive unsolicited mail, including correspondence from unauthorised investment companies.

Companies have become increasingly aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based brokers who target UK shareholders offering to sell what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. Details of any share dealing facilities that the Company endorses will be included in Company mailings.

Share price history

	Pence per ordinary share *		Dollars per ADR **	
Financial year	High	Low	High	Low
2009/10	247.20	118.00	8.24	3.15
2008/09	153.60	91.80	6.10	2.82
2007/08	284.00	115.30	11.45	4.49
2006/07	273.00	218.75	10.70	7.95
2005/06	312.25	201.00	12.05	7.20

* Based on the daily closing price of Kingfisher plc shares on the London Stock Exchange
** Based on the daily closing price of Kingfisher plc ADR's in the Over the Counter (OTC) market

Analysis of shareholders and shareholdings as at 30 January 2010

Classification of holder	Holdings	%	Shares	%
Individuals	25,936	90.91	40,149,843	1.70
Bank or Nominees	2,341	8.20	2,243,729,551	95.01
Investment Trust	24	0.08	2,986,262	0.13
Insurance Company	13	0.05	82,235	0.00
Other Company	183	0.64	47,110,764	1.99
Pension Trust	8	0.03	30,134	0.00
Other Corporate Body	27	0.09	27,553,148	1.17
Total	28,532	100.00	2,361,641,937	100.00

Size of holding	Shareholders	%	Shares	%
1–500	12,321	43.18	2,667,519	0.11
501–1,000	5,603	19.64	4,183,514	0.18
1,001–5,000	8,011	28.08	17,391,069	0.74
5,001–10,000	1,148	4.02	8,112,940	0.34
10,001–100,000	829	2.91	23,087,168	0.98
100,001–500,000	304	1.06	74,586,927	3.16
500,001–999,999,999	316	1.11	2,231,612,800	94.49
Total	28,532	100.00	2,361,641,937	100.00

Dividend

The interim dividend for the financial year ended 30 January 2010 of 1.925p per share was paid on 12 November 2009. The table below provides the payment information for the final dividend of 3.575p per share, subject to shareholder approval at the AGM on 17 June 2010:

Ex-dividend date	5 May 2010
Record date	7 May 2010
Final date for return of DRIP mandate forms/ currency elections	27 May 2010
Euro exchange rate notification	28 May 2010
Payment date and DRIP purchase	18 June 2010

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 shareholders 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:** the Company also offers shareholders a Dividend Reinvestment Plan, whereby shareholders can use their cash dividend to buy further shares in the Company. Shareholders can apply online at www.investorcentre.co.uk or complete a mandate form and return it to the address shown on p111; and
- **Global Payments Service:** this service provided by Kingfisher's Registrar enables shareholders to have dividend payments paid directly into their bank account in their chosen local currency. To view terms and register, please visit www.computershare.com/uk/investor/GPS.

ADRs

The Company has a Sponsored Level One ADR programme in America. Each ADR is worth two Kingfisher shares.

Electronic communication

At the 2008 AGM the Company obtained shareholder approval to adopt the changes in law regarding electronic communications, allowing the Company to use the Kingfisher plc website as the main method of communication with shareholders, unless they have elected to continue receiving hard copy statutory documentation. For shareholders who have not elected to receive their statutory documentation in electronic form, you can sign up by visiting www.investorcentre.co.uk/ecomms and registering your details. When you register for e-communications, you will be sent an email each time the Company publishes statutory documents, providing you with a link to the information.

Electing for e-communications does not mean shareholders can no longer obtain hard copy documents. Should shareholders require a hard copy version of any of the Company's statutory documentation, they should contact the Company's Registrar at the address on p111.

Document viewing

Shareholders will have the opportunity to view certain documentation as outlined in the Notice of Meeting for the AGM from 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

Nick Folland
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Registered in England and Wales
Registered Number 01664812

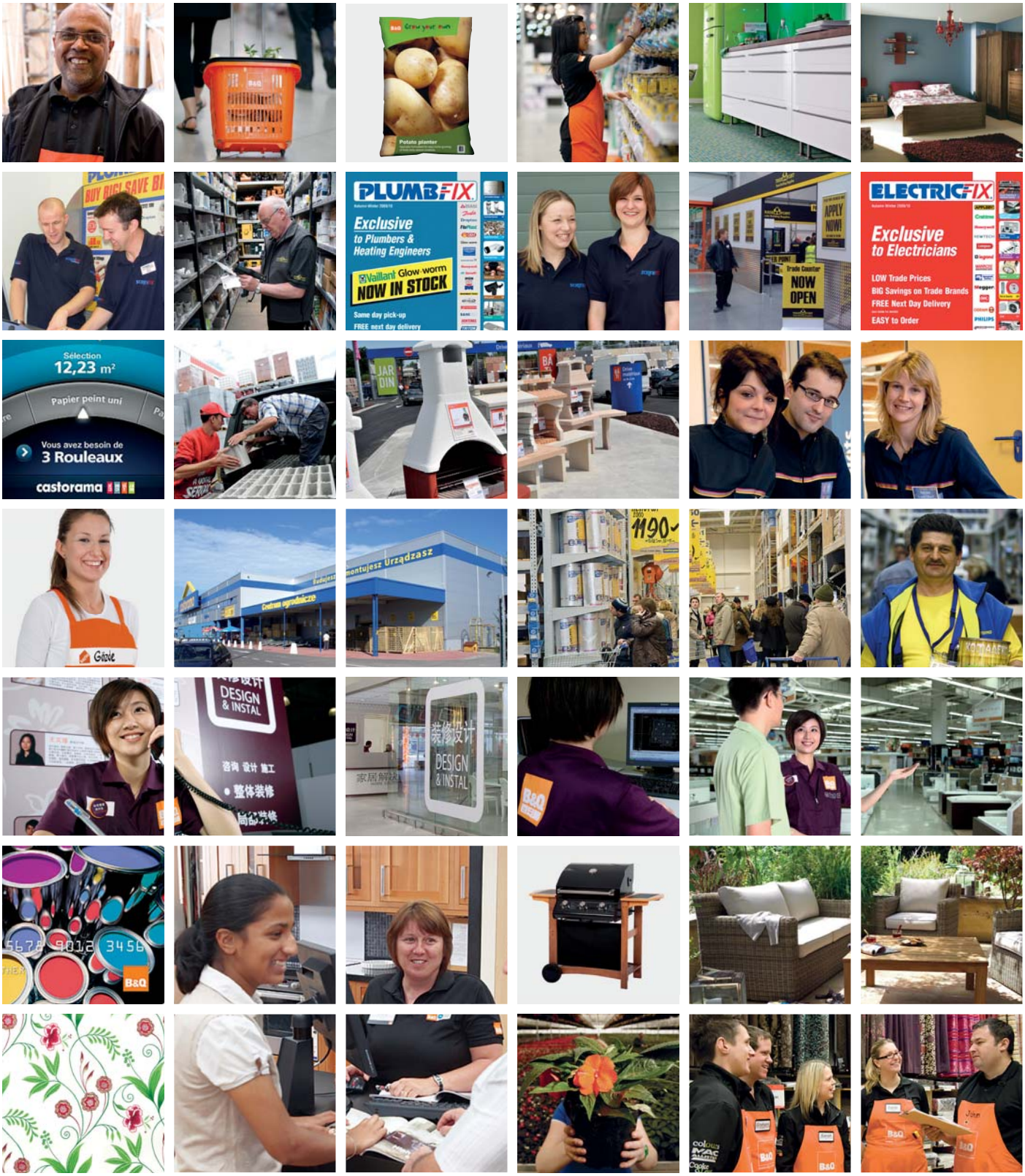
Forward-looking statements

Certain statements included in this Annual Report and Accounts are forward-looking and are therefore subject to risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied because they relate to future events. These forward-looking statements include, but are not limited to, statements relating to the Company's expectations around its three key priorities of Management, Capital and Returns and the associated seven steps to Delivering Value objectives.

Forward-looking statements can be identified by the use of relevant terminology including the words: "believes", "estimates", "anticipates", "expects", "intends", "plans", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology and include all matters that are not historical facts. They appear in a number of places throughout this Annual Report and Accounts and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, changes in tax rates, liquidity, prospects, growth, strategies and the businesses we operate.

Other factors that could cause actual results to differ materially from those estimated by the forward-looking statements include, but are not limited to, global economic business conditions, monetary and interest rate policies, foreign currency exchange rates, equity and property prices, the impact of competition, inflation and deflation, changes to regulations, taxes and legislation, changes to consumer saving and spending habits; and our success in managing these factors.

Consequently, our actual future financial condition, performance and results could differ materially from the plans, goals and expectations set out in our forward-looking statements. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.



FTSE4Good

Dow Jones Sustainability Indexes
Member 2009/10

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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