Kingfisher

BETTER HOMES, BETTER LIVES

CREATING THE LEADER

Progress report on our strategy

Annual Report and Accounts 2012/13

Our online reporting

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

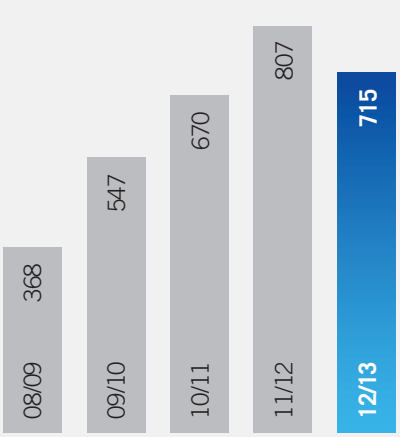
If you have a smartphone or tablet device, use the links and QR codes in this printed copy to take you straight to that part of the online report.

For the online report, go to
http://annualreport.kingfisher.com/2012-13

Key highlights

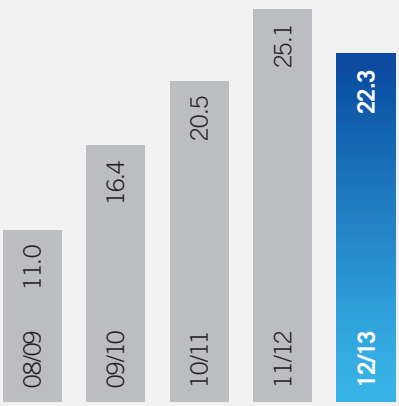
Adjusted pre-tax profit*(m)

£715m
-11.4%



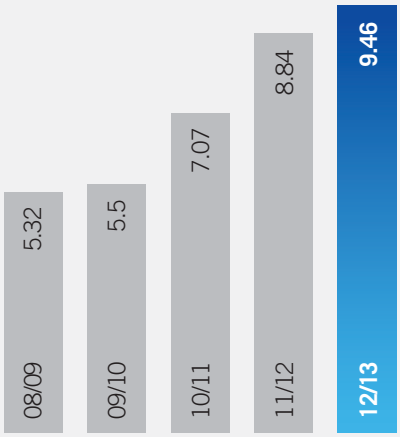
Adjusted basic earnings per share*(p)

22.3p
-11.2%



Full year dividend (p)

9.46p
+7.0%



* For definitions see the Financial Review on pages 17 to 24.

Kingfisher plc is Europe's leading home improvement retail Group and the third largest in the world, with over 1,000 stores in eight countries in Europe and Asia. Its main retail brands are B&Q, Castorama, Brico Dépôt and Screwfix. Kingfisher also operates the Koçtaş brand, a 50% joint venture in Turkey with the Koç Group, and has a 21% interest in Hornbach, Germany's leading large format DIY retailer.

Contents

Business review
02 Kingfisher at a glance
04 Chairman's statement
05 Chief Executive's statement
06 Strategy: Creating the Leader
16 Sustainability: becoming Net Positive
17 Financial review
25 Risks

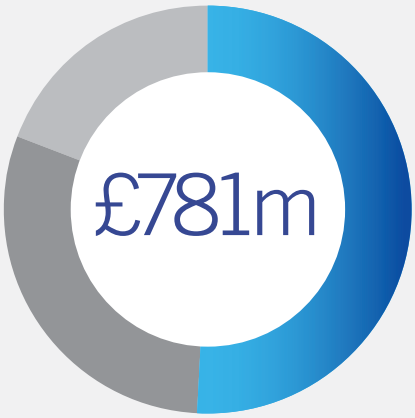
Governance
28 Board of Directors
30 Senior management
31 Directors' report
34 Corporate governance
45 Directors' remuneration report

Accounts
60 Consolidated income statement
61 Consolidated statement of comprehensive income
62 Consolidated statement of changes in equity
63 Consolidated balance sheet
64 Consolidated cash flow statement
65 Notes to the consolidated financial statements
99 Independent auditors' report to the members of Kingfisher plc
100 Company balance sheet
101 Notes to the Company financial statements
113 Independent auditors' report to the members of Kingfisher plc
114 Group five year financial summary
115 Shareholder information

Contribution to Group sales (bn)

France	£4.2bn	39%
UK & Ireland	£4.3bn	41%
Other international*	£2.1bn	20%

Contribution to Group retail profit (m)



France	£397m	51%
UK & Ireland	£234m	30%
Other international	£150m	19%

Property (at market value) (bn)

France	£1.5bn	42%
UK & Ireland	£0.9bn	25%
Other international*	£1.2bn	33%

* Excludes Turkey.

Kingfisher at a glance

Our purpose

To make it easier for customers to have better and more sustainable homes

This approach will unlock more customer demand and grow our business to the benefit of all our stakeholders, creating a more valuable business for our shareholders, a better partner for our suppliers, a more secure and brighter future for our colleagues and a more sustainable business for our local communities.

Our key figures

Total sales	Adjusted pre-tax profit	Employees	Stores
£10.6bn	£715m	78,000	1,025

Our brands

B&Q is the largest home improvement and garden centre retailer in the UK with 358 stores across the UK and Ireland offering around 40,000 products for the homemaker, occasional to serious DIYers, and trade professionals. In China, the business is adapted to the local preference for a "Do-it-for-Me" model. It specialises in the fitting out and decoration of new apartments.

With up to 50,000 products under one roof, Castorama France is one of the leading home improvement retailers in France with 103 stores. Like B&Q, Castorama targets retail customers and DIYers and has an emphasis on style and inspiration for homemakers. In Poland and Russia there is a bigger emphasis on projects, as the home improvement market is at an earlier stage of its development.

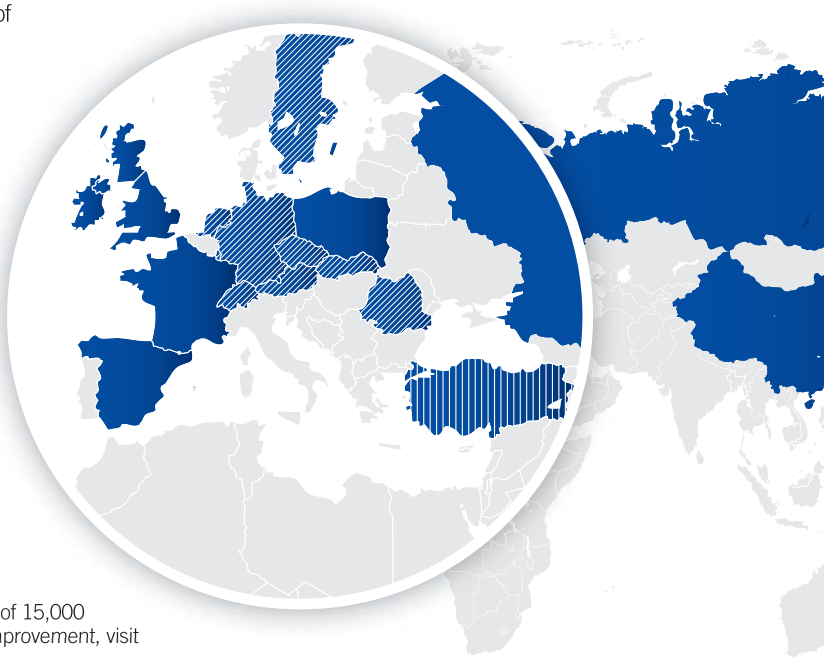
In both France and Spain Brico Dépôt is primarily aimed at serious DIYers and professional builders. It operates a low-price format which offers customers a choice of 10,000 products available in larger product quantities.

Screwfix is the UK's largest omnichannel supplier of trade tools, accessories and hardware to trade professionals and serious DIY enthusiasts. In addition to its catalogue and website, Screwfix operates 275 stores across the UK.

Koçtaş, Kingfisher's joint venture in Turkey, is now the number one home improvement retailer in the country. Its 37 stores are aimed at mainstream consumers, homemakers and occasional to serious DIYers.

Our operating countries

- Operating Countries
- Joint Venture (Koçtaş)
- Strategic Alliance (Hornbach)



For our European Home Report, a survey of 15,000 households and their attitudes to home improvement, visit **www.kingfisher.com/EuropeanHomeReport**

Our markets

France

Country	Population (m)*	Households (m)*	Market position	GDP growth 2013 estimated (%)§	Market brand	Store numbers	Selling space ('000s sq m)	Employees (full time equivalent)
France	63	27	1	+0.5%	castorama	103	1,085	11,139
					BRICO DEPÔT	104	576	6,819

UK & Ireland

Country	Population (m)*	Households (m)*	Market position	GDP growth 2013 estimated (%)§	Market brand	Store numbers	Selling space ('000s sq m)	Employees (full time equivalent)
UK	62	27	1	+0.9	B&Q	358†	2,561†	21,473‡
					SCREWFIX	275	20	3,804
Ireland	5	1.7	–	+1.4	B&Q			

Other International

Country	Population (m)*	Households (m)*	Market position	GDP growth 2013 estimated (%)§	Market brand	Store numbers	Selling space ('000s sq m)	Employees (full time equivalent)
Poland	38	14	1	+1.5	castorama	65	487	10,576
					BRICO DEPÔT	5	26	361
China	1,354	393	–	+8.0	B&Q	39	326	4,449
Spain	45	18	2	-1.2	BRICO DEPÔT	20	116	992
Russia	140	53	3	+2.8	castorama	19	170	2,483
Turkey	76	19	1	+4.5	koçtaş	37	194	3,240
					Total	**1,025**	**5,561**	**65,336**

Store numbers, selling space and employee data as at 2 February 2013.

* The Economist Pocket World in Figures 2013.

§ Credit Suisse.

† Including Ireland (9 stores).

‡ Including Ireland and Kingfisher Future Homes.

Kingfisher Group Executive

Kingfisher's Group Executive team meets monthly and is responsible for the overall strategic decision-making of the Group. It is supported by the Group Operating Board and the One Team Board, more information about which can be found on page 30.

Ian Cheshire
Group Chief Executive

Guy Colleau
CEO, Group Sourcing and Offer

Kevin O'Byrne
CEO, B&Q and Koçtaş brands

Philippe Tible
CEO, Castorama and Brico Dépôt brands

Steve Willett
CEO, Group Productivity and Development

Karen Witts
Group Finance Director

BUSINESS REVIEW

Chairman's statement

It has been a challenging year for Kingfisher, but I am pleased to report that we finished the year in good shape, with a strong balance sheet, higher market share in Europe and with our medium term programme of self-help initiatives (Creating the Leader) progressing well.

Our reported results were affected by adverse currency movements, and the particularly poor summer weather in Northern Europe literally dampened customer demand during our peak season. Add to this the economic uncertainty our customers are facing across Europe and it is no surprise that 2012 was difficult for retailers in general.

But our teams have worked hard, actively managing the business, focusing on improving our customer offer and optimising our cash generation in these difficult markets. These are the right things to do to ensure we can deliver value for shareholders over the medium term. We achieved growth in France, our most significant market, and continued to expand in Poland, Russia, Turkey and Spain. Whilst B&Q found the UK consumer market difficult, our trade businesses in the UK, Screwfix and TradePoint, grew strongly. We remain confident in our future prospects and it is for this reason that we are proposing to raise the dividend by 7.0% despite adjusted pre-tax profits being down 11.4% to £715m.

We have also continued to make good progress on our sustainability agenda, with the launch in October of our Net Positive plan. You can read more about Net Positive on page 16.

I would like to welcome two new directors who joined the Board in October. Karen Witts joined as Group Finance Director and brings with her a wealth of financial and operational management experience from her previous roles at Vodafone and BT, among others. Philippe Tible, a highly experienced retailer, who is responsible for our Castorama and Brico Dépôt brands across Europe, also joined the board. Euan Sutherland stepped down from the Board in January to take up a CEO role outside the Group and we wish him well in his new position.

I would like to thank our 78,000 staff for their hard work and commitment during these difficult economic times. They have done an excellent job providing the level of service which customers expect and ensuring that we start the new year with confidence.

Daniel Bernard
Chairman

Key highlights

£715m
Adjusted pre-tax profit

£691m
Pre-tax profit

22.3p
Adjusted basic EPS

24.1p
Basic EPS

9.46p
Full year dividend

"OUR TEAMS HAVE WORKED HARD, ACTIVELY MANAGING THE BUSINESS, FOCUSING ON IMPROVING OUR CUSTOMER OFFER AND OPTIMISING OUR CASH GENERATION IN THESE DIFFICULT MARKETS."

Daniel Bernard
Chairman

Chief Executive's statement

As the Chairman says in his review, it has been a tough year for Kingfisher, with currency movements, weather and weak consumer markets providing significant headwinds for our businesses. But I am pleased that the hard work of our teams and our firm focus on our well established programme of self-help initiatives, including cost efficiencies and sourcing gains, helped offset some of these headwinds and enabled us to end the year in good shape.

We continued to actively manage the business, generating cash and a positive economic profit whilst successfully delivering the first year of our Creating the Leader programme, which is designed to increase shareholder value over the medium-term.

We made good progress on the four key areas of this programme: Easier, Common, Expand and One Team. This Annual Report includes many examples of the key milestones we achieved in the year but a few worthy of particular note include:

- Increased investment in online retailing. Screwfix launched a mobile 'click, pay & collect' service for customers and has developed a Group omnichannel platform that has enabled B&Q's TradePoint business to launch a transactional website. A lot of work also went into preparing for the launch of a new and improved online offer for B&Q later in 2013.
- Grown the amount of product that is sourced direct from suppliers around the world using our global network of sourcing offices. Particularly strong growth in direct sourced product was achieved in our developing markets, Poland, Russia, Turkey and China. We also achieved our target of sharing more of our best own brand products across our businesses.
- Opened 70 net new stores during the year in markets where economic returns are attractive, including 60 new Screwfix units in the UK. We revamped and extended five Castorama stores in France and are trialling a new format store in China targeting the Do-it-for-Me apartment design market.
- Worked more closely together as a networked organisation. We have now launched the Kingfisher 'One Academy' with the aim of attracting and developing a top team of the best talent in international retailing. We also launched Kingfisher's Net Positive sustainability strategy. Our aim is to go beyond simply being 'neutral' or doing less harm, towards making a net positive contribution. Our focus is on four areas: timber, energy, innovation and communities and I am convinced that this approach is vital as businesses must be a force for good in society.

During the year we developed the wider management team, mostly through internal promotion, adding Steve Willett and Guy Colleau to the Group Executive team. Steve takes on responsibility for our omnichannel activities as well as overseeing Group productivity. Steve's previous role as CEO of Screwfix makes him ideally suited to this role. Guy, who was previously CEO of Castorama France, takes on responsibility for driving our product agenda across our businesses.

So, in summary, it was a tough year but we ended it in good shape, with a strong balance sheet and with our Creating the Leader programme well underway. We will continue with this programme in the coming year and later in this Annual Report you will find more details of the key activities we have planned.

Although the economic background remains challenging, I believe Kingfisher continues to have excellent prospects as we work towards our aim of making it easier for customers to have better, more sustainable homes.

Ian Cheshire
Group Chief Executive

"I BELIEVE KINGFISHER CONTINUES TO HAVE EXCELLENT PROSPECTS AS WE WORK TOWARDS OUR AIM OF MAKING IT EASIER FOR CUSTOMERS TO HAVE BETTER, MORE SUSTAINABLE HOMES."

Ian Cheshire
Group Chief Executive

To watch a video interview with Ian Cheshire, go to **www.kingfisher.com/IanCheshirePrelims13**

CREATING THE LEADER

OUR PURPOSE IS TO MAKE IT EASIER FOR CUSTOMERS TO HAVE BETTER AND MORE SUSTAINABLE HOMES

Our markets

We currently operate in eight countries, spanning over 500 million households. Our research shows that spending on home improvement is a key priority for householders, making this an attractive sector for retailers. It's also attractive because of the relatively small number of well-known manufacturer brands. This means a specialist home improvement retailer provides a vital role for the consumer by offering a wide product choice and expert advice. They can offer a high proportion of 'own brand' product, achieve economies of scale and have a more defensible position against online or generalist operators when compared with other retail segments.

Strategy

Our unique contribution as a business to our customers is that we can harness our home improvement experience, our heritage as a leader in sustainability and our international scale and sourcing capability to bring new, more sustainable and more affordable products to market.

By also providing our customers with project advice and new shopping channels to complement our stores, we will make it easier for them to adapt their homes to their evolving needs. Our shorthand for describing this purpose is 'Better Homes, Better Lives'.

The current phase of our development towards this vision – Creating the Leader – builds on the success of 'Delivering Value', our previous four-year growth plan, which has repositioned Kingfisher as a stronger business in the attractive home improvement market.

Creating the Leader: self-help initiatives

Four themes	Eight steps	Success measures
EASIER	1. Making it easier for customers to improve their home 2. Giving our customers more ways to shop For more information see page 09.	• Like-for-like sales growth (LFL) • Unique web users
COMMON	3. Building innovative common brands 4. Driving efficiency and effectiveness everywhere For more information see page 11.	• 35% of Group sales direct sourced • 50% of all product sales to be common • Retail profit margin
EXPAND	5. Growing our presence in existing markets 6. Expanding in new and developing markets For more information see page 13.	• Kingfisher Economic Profit (KEP)* * For definition of KEP see page 21.
ONE TEAM	7. Developing leaders and connecting people 8. Sustainability: becoming Net Positive For more information see page 15.	• Group employee engagement scores • Net Positive dashboard

Financial benefits

Predicting future potential retail profit benefits from this strategy, when we don't know the economic conditions or competitive landscape we will face in the future is very difficult. However, whatever the conditions, we believe our efforts will drive higher LFL sales, higher gross margin and more cost efficiencies than would have been delivered without this strategy.

In 2011/12 we estimated that this would create an additional £300 million of annualised retail profit in the fifth year, net of price reinvestment and based on the size of the business and market conditions at that time.

For more information on how our strategy is linked to Risk reporting and Remuneration see pages 25 and 45 respectively.

CREATING
THE
LEADER

EASIER

Key steps

1. Making it easier for customers to improve their home
2. Giving our customers more ways to shop

Milestones

PROGRESS DURING 2012/13

- Completed UK roll out of DIY training classes
- Launched B&Q YouTube channel
- Trialling new formats in France, UK, Turkey, Russia & China
- Preparing for the UK's 'Green Deal'
- Launched Screwfix mobile 'click, pay & collect' offer
- Developed a Group omnichannel platform, implemented first in 'TradePoint'
- Upgrading B&Q's online offer

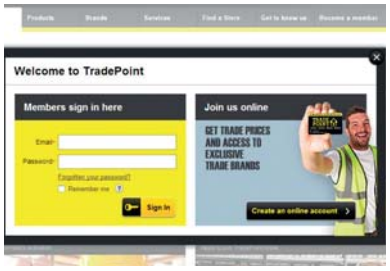
TARGETS DURING 2013/14

Emphasise our affordability credentials

- Launch 'Handy Prices' marketing campaign in B&Q
- Roll out Brico Dépôt 'back to basics' marketing campaign
- Extend Brico Dépôt France & Spain programme of 'arrivages' (one off special buys) to Turkey & Poland
- Launch UK Enterprise Finance Guarantee scheme for tradesmen

Extend our omnichannel offer:

- Launch upgraded B&Q online offer (www.diy.com)
- Extend TradePoint website to main shop floor categories
- Launch upgraded websites in Poland, Turkey, China, Brico Dépôt France & Spain
- Trial 'click & collect' in Castorama France & Turkey



TradePoint launches new transactional website (driven by Screwfix know-how)

Over 1 million hits for B&Q's 'You Can Do It' YouTube channel

For the case studies, go to **http://annualreport.kingfisher.com/2012-13**

Measures

Like-for-like sales
12/13

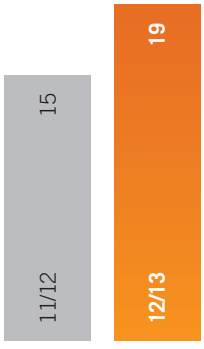
-2.9%

11/12

+1.3%

Unique web users (m)
Monthly Moving Annual Average

+23%



CREATING
THE
LEADER

COMMON

Key steps

3. Building innovative common brands
4. Driving efficiency and effectiveness everywhere

Milestones

PROGRESS DURING 2012/13

- 19% of sales direct sourced
- 8% of sales common
- Direct sourcing in our developing markets up 63% (Poland, Russia, Turkey & China)
- Opened new direct sourcing office in Turkey
- Extended 'Trade' common own brands in Screwfix & Brico Dépôt
- Launched new tiling range in B&Q UK & Ireland
- Developed a stock forecasting & replenishment IT solution, successfully rolled out in B&Q UK & Ireland and Poland
- Driven Group-wide cost efficiencies through GNFR (Goods not for resale) savings from European-wide supply negotiations & SAP contract renegotiated on a Group-wide basis

TARGETS DURING 2013/14

Product:

- Launch energy-efficiency 'iQE' Group brand
- Roll out 'Colours' Group own-brand paint into Russia & Spain
- Roll out new coloured emulsion paint range in B&Q UK & Castorama France
- Launch exclusive Valspar mixing desk paint into B&Q UK & Ireland & China
- Full launch of 'Site' workwear into Brico Dépôt
- First UK & France product show

Efficiency:

- Upweighted distribution centre capability in Poland, Spain & Turkey
- Roll out France & Spain staff bonus programmes to Poland (linked to individual store sales & profit growth)

Brico Dépôt's 'Energer' hand & power tool range launched in Screwfix

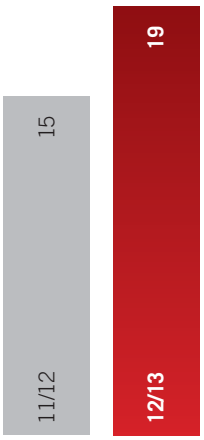
New tiling range launched in B&Q UK & Ireland (higher commonality with Castorama France)

For the case studies, go to **http://annualreport.kingfisher.com/2012-13**

Measures

Common product sales
% of total sales

Products direct sourced
% of total sales



Retail profit margin (%)

CREATING
THE
LEADER

EXPAND

Key steps

5. Growing our presence in existing markets
6. Expanding in new and developing markets

Milestones

PROGRESS DURING 2012/13

- Opened 70 net new stores (UK 61[1], France 2, Poland 3, Russia 1, Turkey 1, Spain 3 & China 1 closure)
- Revamped & extended 5 Castorama France stores
- Successfully integrated 28 Focus DIY stores in the UK
- Launching a 4,000m2 standalone B&Q Design Centre trial store in China
- B&Q UK store rightsizing; 1 B&Q UK store reduced in size by 50% in deal completed with a supermarket group

(1) 60 Screwfix outlets & 1 B&Q.

TARGETS DURING 2013/14

- Open 68 net new stores (UK 50 Screwfix outlets, France 5, Poland 2, Russia 1, Turkey 4 & Spain 6, representing 3% space growth
- Revamp & extend four Castorama France stores
- Evaluate Screwfix international opportunities

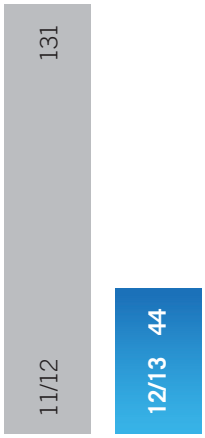
Screwfix accelerates store opening programme with 60 new stores

New format stores opened in France. C'est Castoche!

Kingfisher's 1,000th home improvement store opened, in Lublin, Poland

Measures

Kingfisher Economic Profit (KEP)*(£m)



For the case studies, go to **http://annualreport.kingfisher.com/2012-13**

* For definition of KEP see page 21.

CREATING THE LEADER

ONE TEAM

Key steps

7. Developing leaders and connecting people
8. Sustainability: becoming Net Positive

Milestones

PROGRESS DURING 2012/13

- Broadened the Group Executive Team with two internal appointments (Guy Colleau as CEO, Group Sourcing & Offer; Steve Willett as CEO, Group Productivity & Development)
- Launched the Kingfisher 'One Academy' (a virtual academy for the top 250 managers)
- Launched our new sustainability plan, Net Positive, and associated dashboard
  - Our aim is to give back more than we take in the course of our operations
  - Our four priority areas are Timber, Energy, Innovation and Communities (see page 16)

TARGETS DURING 2013/14

- Continue to extend the Kingfisher 'One Academy'
- Net Positive dashboard to be updated annually

The Kingfisher 'One Academy' launched for top 250 managers

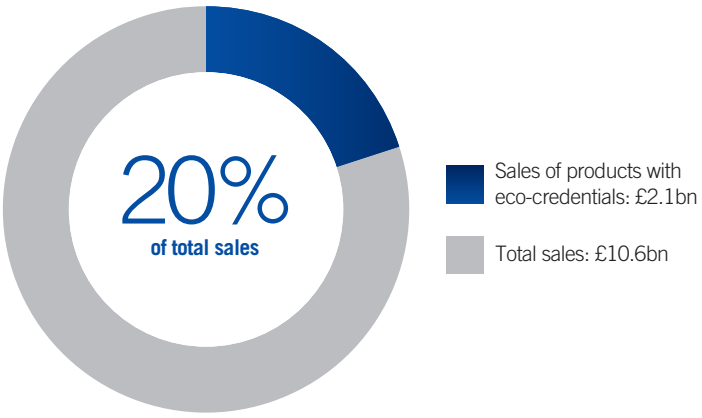
Kingfisher launches new ambition to become Net Positive (kids' DIY classes launched in Poland)

For the case studies, go to **http://annualreport.kingfisher.com/2012-13**

Measures

Engagement scores
Gallup Q12 survey (out of 5)*

Sales of products with eco-credentials
(% of total sales)**



* A GrandMean score above 4 out of 5 is 'best in class'.
** For our Group performance summary go to www.kingfisher.com/netpositive.

Sustainability: becoming Net Positive

KINGFISHER LAUNCHED NET POSITIVE IN 2012, WITH AN AMBITION TO CONTRIBUTE POSITIVELY TO SOME OF THE BIG CHALLENGES FACING THE WORLD, WHILE CREATING A MORE VALUABLE AND SUSTAINABLE BUSINESS FOR OUR STAKEHOLDERS.

Introduction
Net Positive is a new approach to doing business for Kingfisher. It means going beyond achieving zero impact, and committing to make a positive contribution across four priority areas: Timber, Energy, Innovation and Communities. In practice it means: not just preventing deforestation but working towards net reforestation; helping to create homes that are generators of their own energy; innovating products and services that are restorative by design; and working in communities to connect people and equip them with practical skills.

Net Positive underpins Kingfisher's Creating the Leader strategy. It will help us secure resources, unlock opportunities for growth, inspire our people, and be a catalyst for collaboration.

In each of our priority areas we will transform the way Kingfisher operates to become Net Positive by 2050 (see chart below). We will take what we learn and integrate it across our business. Progress will be reported via our Net Positive dashboard.

Timber
Deforestation and rising demand means wood prices could increase by 30-75% by 2020. To maintain access to affordable supplies we need to protect and improve forests.

Our aspiration is that by 2050 we will create more forest than we use. We are aiming for all timber and paper in our operations, products, packaging and construction to be responsibly sourced by 2020. Our companies such as B&Q UK and Brico Dépôt Spain are starting local forest projects that benefit the environment and economy, and create local sustainable timber supplies.

For the products we sold in 2012/13, 89% of the timber (by volume) was responsibly sourced, compared with 86% in 2011/12.

Energy
With super energy-efficient products and tools and materials for eco-retrofits and micro-generation, we can help customers save money and improve their homes. The market for in-home energy efficiency is predicted to be €70bn by 2020 across our European markets.

Our aspiration is that by 2050 every Kingfisher store and customer home is zero carbon or generates more energy than it consumes. Over the past two years, sales of energy-saving products helped our customers save over 5 TWh in energy use. Our target is 38 TWh by 2020 – equivalent to the annual energy consumption of every house in Scotland (2.3 million homes).

We reduced our absolute carbon footprint (emissions from property energy use, dedicated delivery fleets and business travel by road) by 3% compared with 2010/11, towards our target of a 25% reduction by 2020, which helps to reduce operating costs.

Innovation
Switching to more sustainable materials and business models, and designing out waste through closed loop systems, generates value for our business and customers. Our aspiration is that by 2050 every Kingfisher product will enable a more sustainable and ultimately Net Positive lifestyle, so that creating and using products will waste nothing.

We have set a target to offer 1,000 different products with closed-loop credentials by 2020, and we are working towards this with partners such as the Ellen MacArthur Foundation. Many products already have closed loop credentials, such as B&Q's New Life Paint made from waste paint.

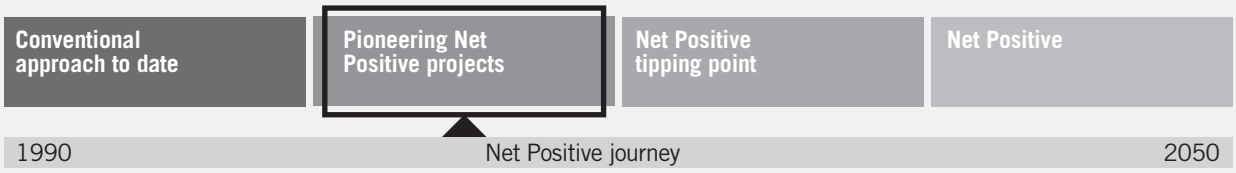
This builds on our track record in eco-product innovation. During 2012/13 products with eco-credentials accounted for 20% of retail sales (see page 15) and we aim for 50% by 2020. 'Best-in-class', our most innovative eco-products, accounted for 5% of sales.

Communities
In local communities we have seen a decline in the practical skills of making and mending. Equipping people with these skills is good for individuals and communities and will help galvanise potential customers.

Our aspiration is that every Kingfisher store and location supports projects which build local communities or equip people with skills. By 2020, our target is to have completed 4,000 community projects that deliver our 'Better Homes, Better Lives' purpose. In 2012/13 we launched free DIY classes for school children in Castorama Poland, a fun way to learn about DIY and the environment.

For further information visit **www.kingfisher.com/netpositive**

Our current progress on our Net Positive journey



BUSINESS REVIEW

Financial Review

Karen Witts
Group Finance Director

To watch a video interview with Karen Witts, go to **www.kingfisher.com/KarenWittsPrelims13**

Financial Summary

A summary of the reported financial results for the year ended 2 February 2013 is set out below:

	2012/13 £m	2011/12 £m	(Decrease)/ increase
Sales	**10,573**	10,831	(2.4)%
Adjusted pre-tax profit	**715**	807	(11.4)%
Profit before taxation after exceptional items	**691**	797	(13.3)%
Adjusted basic earnings per share	**22.3p**	25.1p	(11.2)%
Dividends	**9.46p**	8.84p	7.0%

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

	2012/13 £m	2011/12 £m	(Decrease)/ increase
Profit before taxation	**691**	797	(13.3)%
Exceptional items	**26**	12	116.7%
Profit before exceptional items and taxation	**717**	809	(11.4)%
Financing fair value remeasurements	**(2)**	(2)	–
Adjusted pre-tax profit	**715**	807	(11.4)%

Profit and EPS including all exceptional items for the year ended 2 February 2013 are set out below:

	2012/13	2011/12	Decrease
Profit after tax	**564**	639	(11.7)%
Basic EPS	**24.1p**	27.5p	(12.4)%

Overview

The Group's financial reporting year ends on the nearest Saturday to 31 January. The current year is for the 53 weeks ended 2 February 2013 with the comparative financial year being for the 52 weeks ended 28 January 2012. This only impacts the UK & Ireland businesses with all of the other businesses reporting on a calendar basis as a result of local requirements. The effect of the 53rd week on the results of the Group is the inclusion of an additional £72m sales and an immaterial benefit to retail profit.

Total sales grew by 0.5% on a constant currency 52 week basis and declined by 2.4% to £10.6 billion (2011/12: £10.8 billion) on a reported rate basis. On a like-for-like basis, Group sales were down 2.9% (2011/12: +1.3%). During the year, a net additional 69 new stores were opened, including 60 Screwfix outlets, taking the store network to 988 stores (excluding 37 Turkey JV stores).

Retail profit before exceptional items declined by £101 million to £781 million (2011/12: £882 million) including a £39 million adverse foreign exchange movement representing a 7.3% decline on a constant currency basis. This decline was as a result of challenging trading conditions and unfavourable weather patterns. Including exceptional items, retail profit declined by 13.2% to £755 million (2011/12: £870 million).

The net **interest** charge for the year was £4 million, down £6 million on the prior period. A breakdown of this is shown below.

Profit before tax declined by 13.3% to £691 million. After removing the impact of exceptional items and fair value remeasurements, **adjusted pre-tax profit** declined by 11.4% to £715 million.

Profit after tax for the period was £564 million (2011/12: £639 million). This resulted in the Group recording a basic EPS of 24.1p in the year (2011/12: 27.5p).

Trading Review by Major Geography

France

Sales £m	2012/13	2011/12	% Reported Change	% Constant Change	% LFL Change
France	**4,194**	4,470	(6.2)%	0.3%	(1.6)%

Retail profit £m	2012/13	2011/12	% Reported Change	% Constant Change
France	**397**	423	(6.3)%	0.2%

France includes Castorama and Brico Dépôt.

All trading commentary below is in constant currencies.

Kingfisher France
Kingfisher France sales grew by 0.3% to £4.2 billion (-1.6% LFL) in slower markets. Two net new stores were opened and five were revamped, adding around 2% new space.

Retail profit grew by 0.2%, broadly in line with sales growth. Gross margins were up 10 basis points reflecting on-going self-help initiatives offsetting some investment in pricing. Costs were tightly controlled and also reflect lower levels of variable pay during the year.

Castorama total sales grew by 2.0% to £2.3 billion (-0.5% LFL). According to Banque de France data, sales for the home improvement market were down 0.8%. Castorama outperformed the market benefiting from its innovative 'Do-it-Smart' approach aimed at making home improvement projects easier for customers.

Brico Dépôt, which more specifically targets trade professionals and heavy DIYers, was impacted by a slower house building market, with new housing starts and planning consent data[1] down around 18% and 9% respectively. Total sales declined by 1.7% to £1.9 billion (-2.8% LFL). Self-help initiatives progressed well, including new ranges introduced last year (e.g. heating and joinery ranges) and more 'arrivages' promotions (rolling programmes of one-off special buys), reinforcing Brico Dépôt's value credentials.

(1) Ministry of Housing February 2012-January 2013.

UK & Ireland

Sales £m	2012/13	2011/12	% Reported Change	% Constant Currency Change 52 week basis[1]	% LFL Change
UK & Ireland	**4,316**	4,338	(0.5)%	(2.0)%	(5.2)%

Retail profit £m	2012/13	2011/12	% Reported Change	% Constant Change
UK & Ireland	**234**	271	(13.7)%	(13.8)%

UK & Ireland includes B&Q in the UK & Ireland and Screwfix in the UK.

(1) In the UK & Ireland Kingfisher reports each financial year up to the nearest Saturday to 31 January. This year this has resulted in a 53 week year.

All trading commentary below is in constant currencies and % movements on a 52 week basis.

Kingfisher UK & Ireland
Kingfisher UK & Ireland total sales were down 2.0% to £4.3 billion (-5.2% LFL) in a declining market impacted by weak consumer confidence and record adverse summer weather. Retail profit declined by 13.8% to £234 million.

B&Q UK & Ireland's total sales were down 3.6% (-5.6% LFL) to £3.7 billion reflecting the difficult UK backdrop and a particularly challenging environment in Ireland, where our nine stores incurred losses of £7 million and are now subject to an Examinership process.

The market[1] for the UK's leading home improvement retailers was down around 3%, including seasonal ranges down 9%. On a comparable basis, B&Q outperformed the market, with sales down around 2%.

Sales of outdoor seasonal products were down around 9% with average footfall down 20% in the severely weather-affected weeks. Sales of building products were also impacted by the adverse weather. Sales of indoor decorative products fared better as customers switched some of their home improvement activities indoors. Cash sales[2] of showroom (kitchens, bathrooms and bedrooms) products were slightly higher year on year, showing that the new Every Day Low Prices (EDLP) trading strategy in this category is starting to gain traction with customers in a challenging market.

Retail profit declined by 20.8% to £187 million. Gross margins were down 20 basis points, with the benefits from ongoing self-help initiatives offset by some additional promotional activity, the decision to accelerate clearance ahead of the national rollout of new ranges of tiling and décor products, and a higher mix of 'TradePoint' sales.

TradePoint continues to progress well. Sales to TradePoint customers were up around 20% and now account for nearly 20% of total store sales. Over 1.2 million customers have now registered as TradePoint customers, with around a third having shopped in the last month.

A strong focus on operating cost efficiencies continued. Costs also reflect lower levels of variable pay this year and the benefit of a settlement of a one-off construction related claim for around £5 million.

Screwfix grew total sales by 9.8% to £577 million, despite the challenging smaller tradesman market[3], benefiting from the continued rollout of new outlets, the success of 'click, pay & collect' and a redesigned catalogue. Sixty new outlets were opened, taking the total to 275.

Retail profit was up 33.9% to £47 million, reflecting the strong sales growth, gross margins benefiting from on-going self-help initiatives and continued tight cost control.

UK reporting

B&Q and Screwfix are increasingly operating together, sharing a distribution network, jointly developing several major initiatives, including omnichannel, the provision of energy efficiency products and services and adopting a complementary strategy for UK growth. As a result, from next year (2013/14) reporting in the UK will mirror our current practice in France and provide one overall profit figure along with a commentary on the sales performance of each major business.

(1) Kingfisher estimate for the UK RMI (Repairs, Maintenance & Improvement) market – incorporates GfK data, which includes new space but which excludes B&Q Ireland and private retailers e.g. IKEA, and other smaller independents. It is on a cash sales basis and is adjusted for discounts.

(2) Cash sales are recognised as sales when the products are delivered to the customer.

(3) Based on the Builders' Merchants Federation lightside data Jan-Dec 2012 and includes new space, down 0.4%.

Other International

Sales £m	2012/13	2011/12	% Reported Change	% Constant Change	% LFL Change
Other International	**2,063**	2,023	2.0%	6.6%	(0.7)%

Retail profit £m	2012/13	2011/12	% Reported Change	% Constant Change
Other International	**150**	188	(19.8)%	(14.3)%

Other International includes Poland, China, Spain, Russia, Turkey JV and Hornbach in Germany.

Joint Venture (Koçtaş JV) and Associate (Hornbach) sales are not consolidated.

All trading commentary below is in constant currencies.

Other International total sales increased by 6.6% to £2.1 billion (-0.7% LFL) supported by new store openings and strong growth in Russia, now the second largest business in the division. However, with the exception of Russia, economic uncertainty in Europe impacted LFL sales and profitability. Retail profit declined by 14.3% to £150 million.

During the year seven net new stores were opened adding around 3% new space. Three stores were opened in both Poland and Spain, one in both Russia and Turkey and one store rationalisation in China.

In Poland and Spain sales grew reflecting new store space, however both markets were impacted by weak consumer confidence. Sales in Poland were up 0.6% (-5.1% LFL) to £1,029 million. Gross margins were down 110 basis points, with self-help initiatives offset by some investment in pricing. Tight cost control more than offset cost inflation resulting in a 15.3% decline in retail profit to £107 million. Sales in Spain grew by 3.0% (-6.8% LFL) to £234 million. Retail profit was £1 million, down from £7 million reported last year, reflecting the difficult market and higher pre-opening costs after the resumption of new store openings.

In Russia sales grew by 38.3% in a strong market to £426 million (+17.9% LFL) benefiting from new store openings. Retail profit was £16 million, compared to £2 million reported in 2011/12.

In Turkey, Kingfisher's 50% JV, Koçtaş, grew sales by 4.1% (-4.1% LFL) reflecting one new store opening offset by a slower economic environment and the impact of poor weather early in the year. Retail profit contribution was £9 million, down 28.2% year on year.

Hornbach, in which Kingfisher has a 21% economic interest, contributed £26 million to retail profit, down 15.2% on last year reflecting a £5 million loss in Q1 and a weaker market in Q4.

B&Q China sales declined by 0.8% (+0.1% LFL) to £374 million reflecting one less store compared to last year. The retail loss was £9 million (2011/12: £3 million reported loss) after reflecting around £3 million of costs relating to the new format store trial.

Interest

Net interest has decreased by £6 million in the year. The breakdown is as follows:

	2012/13 £m	2011/12 £m
Underlying net interest	**(6)**	(12)
Financing fair value remeasurements (FFVR)[1]	**2**	2
Statutory net interest	**(4)**	(10)

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

Underlying net interest has fallen by £6 million driven by a fall in interest on net debt as a result of the repayment of €200 million (£162 million) EMTN[2] in November 2012 and from a full year's benefit of buying back debt in 2011/12. This was offset by an increase in the net pensions interest cost, principally due to a reduction in the asset return assumption.

(2) Euro Medium Term Note.

Taxation

Kingfisher's effective tax rate is sensitive to the blend of tax rates and profits in the Group's various jurisdictions. The adjusted effective rate of tax, calculated on profit before exceptional items, prior year tax adjustments and the impact of rate changes is 27% (2011/12: 28%). This is higher than the UK statutory rate because of the amount of Group profit that is earned in higher tax jurisdictions and because no future benefit is assumed for losses incurred in overseas jurisdictions such as China and Ireland. The overall tax rate for the year is 18% (2011/12: 20%) reflecting the impact on deferred tax of the further 2% fall in the UK rate, release of prior year provisions either reassessed or time expired and a claim for the use of prior year losses of £33 million.

Effective tax rate calculation	Profit £m	Tax £m	2012/13 %	2011/12 %
Profit before tax and tax thereon	**691**	**127**	**18**	20
Add exceptional loss and tax thereon	**26**	**1**		
Less prior year items	**–**	**66**		
Total – adjusted	**717**	**194**	**27**	28

The effective rate of tax is lower than in 2011/12 as a result of tax rate changes in some of the countries in which we operate. The most significant changes were the UK statutory tax rate falling from 26% to 24% offset by increased levels of costs for which no tax relief is available in France.

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

Jurisdiction	Statutory tax rate 2013/14	Statutory tax rate 2012/13
UK	23%	24%
France	34.4% – 36.1%	34.4% – 36.1%
Poland	19%	19%
Rest of Europe	0% – 34%	0% – 34%
Asia	16.5% – 25%	16.5% – 25%

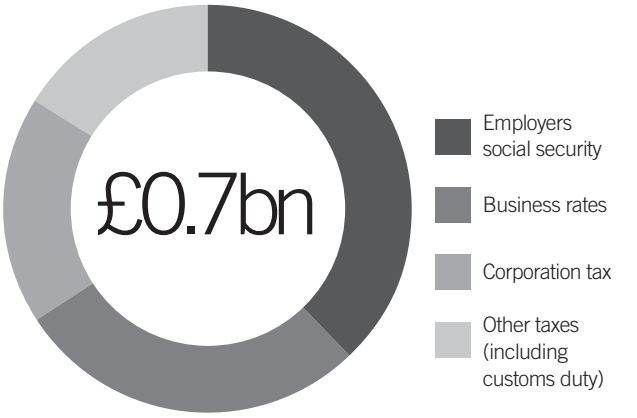
Tax contribution

Kingfisher makes a major contribution to the economies of each country in which it operates including the taxes that it both pays to and collects for governments. The Group has borne cash taxes on its profits, properties, in employing its workforce, in environmental levies, in customs and fuel duties as well as bearing other local taxes. The level of corporate income tax paid is detailed in the consolidated cash flow statement, whilst further information regarding the corporate income tax expense is contained within note 9. The most significant of the taxes collected are sales taxes charged to customers (VAT) on their purchases and employee payroll taxes. Taxes paid and taxes collected together represent Kingfisher's total tax contribution which is shown below:

	2012/13 £bn	2011/12 £bn
Taxes borne	**0.70**	0.69
Taxes collected	**0.90**	0.89
Total tax contribution	**1.60**	1.58

Figure 1

Total value of taxes borne



Taxation governance and risk management

The Group's Code of Conduct applies high standards of professionalism and integrity as well as a requirement to comply with applicable laws which underpins the Group's approach to tax governance. The Group employs appropriately qualified staff who are responsible for ensuring tax compliance requirements are met. Tax matters are reviewed by the Financial Initiatives Tax and Treasury Committee. Further details of the governance framework are contained within the Governance report.

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

The Audit Committee and the main Board regularly review the management and control of its tax affairs and related tax risks.

Exceptional items

	2012/13 £m (Charge)/ gain	2011/12 £m (Charge)/ gain
Ireland restructuring	**(21)**	–
UK restructuring	**(16)**	2
Net pension gain	**11**	–
UK ex-Focus stores acquisition integration	**–**	(11)
Loss on disposal of properties	**–**	(3)
	(26)	(12)
Tax on exceptional items	**1**	7
Net exceptional items	**(25)**	(5)

In the year the Group booked a net post-tax exceptional charge of £25 million (2011/12: £5 million charge).

Following a sustained decline in trading at B&Q Ireland, the Group undertook a detailed review of its Irish operations and as a result, B&Q Ireland entered into an Examinership process in January 2013. The £21 million restructuring charge represents provisions recorded for the impairment of properties and estimated costs of exiting leases and other closure activities. Around £13 million of this cost will result in a cash outflow, of which around £11 million will be in 2013/14.

The UK restructuring net charge of £16 million principally reflects the streamlining of B&Q UK & Ireland's store support office and its kitchen, bathroom and bedroom business as well as IT services. It also includes a £4 million release (2011/12: £2 million) of an onerous property contract provision for idle stores either sublet or exited in the period, which had previously been included as part of the B&Q UK store closure and downsizing programme in 2005/06.

Netted against these charges is a net pensions accounting credit of £11 million (2011/12: £nil), see the pensions section below for details.

Tax on exceptional items amounts to a credit of £1 million (2011/12: £7 million credit).

Earnings per share

Basic earnings per share (EPS) have decreased by 12.4% to 24.1p (2011/12: 27.5p). On a more comparable basis, removing the impact of exceptional items, financing fair value remeasurements and the effect of prior year tax adjustments, adjusted basic earnings per share decreased by 11.2% to 22.3p (2011/12: 25.1p).

	2012/13	2011/12
Basic earnings per share	**24.1p**	27.5p
Exceptional items	**1.1p**	0.5p
Financing fair value remeasurements (net of tax)	**(0.1)p**	(0.1)p
Impact of prior year items and exceptional items on income tax	**(2.8)p**	(2.8)p
Adjusted earnings per share	**22.3p**	25.1p

Dividends

The Board has proposed a final dividend of 6.37p which results in a full year dividend of 9.46p, an increase of 7.0% (2011/12: 8.84p). The final dividend reduces full year dividend cover on adjusted earnings to 2.4 times (2011/12: 2.8 times).

Going forward the Group will aim to move towards a medium term annual dividend cover of around 2.5 times. At this level, the Board believes the dividend will continue to be prudently covered by earnings and free cash flow and remain consistent with the capital needs of the business.

From 2013/14 the Group will also move away from the mechanistic calculation of the interim dividend as 35 per cent of the previous year's total dividends and instead set both the interim and final dividend by reference to the current year's earnings.

The full year dividend will continue to be proposed each year as part of the full year preliminary announcement in March.

The final dividend for the year ended 2 February 2013 will be paid on 17 June 2013 to shareholders on the register at close of business on 10 May 2013, subject to approval of shareholders at the Annual General Meeting, to be held on 13 June 2013. A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the shares of the Company. The shares will go ex-dividend on 8 May 2013. For those shareholders electing to receive the DRIP the last date for receipt of electing is 24 May 2013.

Economic Returns

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

Kingfisher Economic Profit (KEP)

	2012/13 £m	2011/12 £m	Decrease £m
Kingfisher Economic Profit (KEP)	**44**	131	(87)

Geographic divisional return

Kingfisher's underlying KEP by geographic division is set out below. The divisional invested capital excludes central goodwill of £2.4 billion.

	Sales £bn	Proportion of Group sales %	Invested Capital (IC) £bn	Proportion of Group IC%	Returns £m KEP 2012/13	2011/12
UK	**4.3**	**41%**	6.0	48%	**(5)**	32
France	**4.2**	**39%**	2.2	18%	**150**	166
Other International	**2.1**	**20%**	1.4	12%	**37**	59
Goodwill & Central	**n/a**	**n/a**	2.4	22%	**(138)**	(126)
Total	**10.6**		12.0		**44**	131

Free cash flow

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

	2012/13 £m	2011/12 £m
Operating profit (before exceptional items)	**721**	819
Other non-cash items[1]	**261**	274
Change in working capital	**(178)**	(187)
Pensions and provisions (before exceptional items)	**(42)**	(54)
Operating cash flow	**762**	852
Net interest paid	**(4)**	(8)
Tax paid	**(129)**	(148)
Gross capital expenditure (before strategic investments)	**(316)**	(338)
Disposal of assets	**17**	9
Free cash flow	**330**	367
Dividends paid	**(221)**	(178)
Share purchase for employee incentive schemes	**–**	(117)
Strategic capex investments[2]		
– Freehold interests	**–**	(73)
– Ex-Focus DIY stores	**–**	(39)
Other[3]	**(10)**	(17)
Cash flow movement in net cash/(debt)	**99**	(57)
Opening net (debt)/cash	**(88)**	14
Other movement including foreign exchange	**27**	(45)
Closing net cash/(debt)	**38**	(88)

(1) Includes depreciation and amortisation, impairment losses, share-based compensation charge, share of post-tax results of JVs and associates, pension service cost and profit/loss on retail disposals.

(2) Investments of a one-off nature, such as bolt on acquisitions and buy outs of freeholds in existing leased stores.

(3) Includes dividends received from JVs and associates, business acquisitions, issue of shares and exceptional items (excluding property disposals).

Net cash at the end of the year was £38 million (2011/12: £88 million net debt).

Free cash flow of £330 million was generated in the year, a decline of £37 million year-on-year primarily due to the reduced profit generation offset by lower capital expenditure.

During the year free cash flow generated was utilised to improve shareholder returns with the dividend being increased to £221 million.

In the prior year we invested additional funds outside of our normal 'free cash flow' with £112 million allocated to strategic capex investments and £117 million on acquiring our own shares to match employee incentive schemes. The strategic capex spend included £73 million in the UK where we had actively decided to purchase freeholds already occupied and £39 million on the acquisition of 29 Focus stores.

The Group will maintain a high focus on free cash flow generation going forward to maintain its solid investment grade balance sheet, fund investment where economic returns are attractive and pay healthy dividends to shareholders.

Capital expenditure

Gross capital expenditure for the year was £316 million (2011/12: £450 million). A total of £17 million of proceeds from disposals were received during the year (2011/12: £9 million).

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

- An annual strategic planning process based on detailed medium term plans for all businesses for the next four years. This process drives the key strategic capital allocation decisions and the output is reviewed by the Board;
- A capital approval process through a capital expenditure committee, attended by the Group Chief Executive, Group Finance Director, CEO Group Productivity and Development, Group Property Director, Group General Counsel. The committee is delegated to review all projects above £0.75 million and to sign-off the projects between £0.75 million and £15.0 million (including the capitalised value of lease commitments);
- Projects above £15.0 million are required to be approved by the Board although all projects above £0.75 million are also notified to the Board;
- Clear investment criteria including KEP and NPV (Net Present Value) and challenging hurdle rates for IRR (Internal Rate of Return) and DPB (Discounted PayBack);
- An annual post-investment review process to undertake a full assessment of all projects above £0.75 million which were completed in the last two to four years. The findings of this exercise are considered by both the capital expenditure committee and the Board and used to inform the assumptions for similar project proposals going forward.
- An annual review of KEP by store is performed which drives plans to improve the returns of weaker stores.

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.

Management of balance sheet and liquidity risk and financing

The Group finished the year with £38 million of net cash on the balance sheet. However, the Group's overall leverage is more significant when including capitalised lease debt that in accordance with accounting regulations does not appear on the balance sheet. The ratio of the Group's lease adjusted net debt (capitalising leases at 8 times annual rent) to adjusted EBITDAR is 2.4 times as at the year end. At this level the Group has financial flexibility whilst retaining an efficient cost of capital.

A reconciliation of lease adjusted net debt to EBITDAR is set out below.

	2012/13 £m
EBITDA[1]	**987**
Property operating lease rentals	**435**
EBITDAR	**1,422**
Financial (net cash)	**(38)**
Pension position	**–**
Property operating lease rentals (8x)[2]	**3,480**
Lease adjusted net debt	**3,442**
Lease adjusted net debt to EBITDAR	**2.4x**

(1) Calculated as Retail profit less central costs and before depreciation and amortisation.

(2) Kingfisher believes 8x is a reasonable industry standard for estimating the economic value of its leased assets.

Kingfisher aims to maintain its solid investment grade credit rating whilst investing in the business where economic returns are attractive and paying a healthy annual dividend to shareholders. After satisfying these key aims and taking into account the economic and trading outlook any surplus capital would be returned to shareholders.

Where appropriate Kingfisher may purchase current leasehold assets used by the Group. This may increase financial debt but should have no material impact on lease adjusted net debt.

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

The Group derives around half its profit from the eurozone, and as such is exposed to economic conditions in the member states. The Group continues to monitor potential exposures and risks, and develop effective risk management solutions.

Kingfisher has a £200 million committed bank facility maturing in August 2016, which remained undrawn at the year end.

Kingfisher deposits surplus cash with a number of banks with the strongest short-term credit ratings and with money market funds which have the strongest, AAA, credit rating and offer same day liquidity. A credit limit for each bank or fund is agreed by the Board covering the full value of deposits and a proportion of the value of derivative contracts. The credit risk is reduced further by spreading the investments and derivative contracts across several counterparties. At the year end, the Group had a total of around £400 million of cash deposited with banks and in money market funds. The highest single cash investment was a £32 million money market fund investment.

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

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

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

Capital risk management

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern and retain financial flexibility in order to continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a solid investment grade credit rating of BBB.

The Group manages its capital by:

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

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

Property

The Group owns a significant property portfolio, most of which is used for trading purposes. A valuation was performed for internal purposes in November 2012 with over one-third of the portfolio valued by external professional valuers where the key assumption is the estimated yields. Based on this exercise the value of this property is £3.6 billion at year end (2011/12: £3.5 billion). This is compared to the net book value of £2.9 billion (2011/12: £2.8 billion) recorded in the financial statements.

Pensions

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

At the year end, the Group had a net position of £nil (2011/12: £15 million deficit) in relation to defined benefit pension arrangements of which a £71 million surplus (2011/12: £25 million surplus) is in relation to its UK Scheme.

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

During the year, and following consultation with the active members, the UK final salary pension scheme was closed to future benefit accrual with effect from 30 June 2012. The scheme had been closed to new entrants in 2004. A net exceptional pensions accounting credit of £11 million has been recognised. This includes a £27 million non-cash curtailment gain, representing the one-off reduction in accounting liabilities as benefits are no longer linked to future salary increases other than in line with inflation. It is offset by a £16 million charge for transitional payments to the active members. From July 2012 an enhanced defined contribution scheme has been offered to all UK employees, with the reduction in cash contributions to the final salary scheme offset by higher contributions to the defined contribution scheme. Auto-enrolment will commence in the current year.

BUSINESS REVIEW

Risks

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

During the year the Board has also considered the nature and level of risk that we are prepared to accept in order to deliver our business strategies and have reviewed and approved our internal statement of risk appetite. This describes both the current and desired levels of acceptable risk, supported by high level qualitative risk statements, ensuring that risks are proactively managed to the level desired by the Board.

The Corporate governance report on page 42 describes the systems and processes through which the directors manage and mitigate risks. The Board considers that the principal risks to achieving its strategic aims are set out below.

Easier

Strategic aim	Group risks	Mitigation
Making it easier for our customers to improve their home	We fail to deliver demand and value through the "easier" initiatives due to a lack of rigorous change management disciplines, capabilities and resources.	Across our markets we are committed to ensuring that our stores and online fulfilment channels are aligned with our desire to optimise our customers' retail experience. To support this we continue to evolve and innovate across our product ranges, formats and customer offer. Changes are, however, only implemented once we have completed an appropriate level of planning and testing, relative to the risk, and we have ensured that the assumptions and insight, that support the introduction of new products or services, will deliver the benefits to both our customers and our shareholders prior to their introduction.

Strategic aim	Group risks	Mitigation
Giving our customers more ways to shop	We fail to invest in the systems and supply chain platforms necessary to maintain either competitive parity or advantage, amongst online or omnichannel competitors.	Across our businesses we recognise both the threats and opportunities presented by omnichannel retailing and are taking the necessary steps to ensure we remain competitive in our respective markets. This is supported by a significant investment programme across our systems and supply chain architectures. This includes significant investments in: • Warehouse management, forecasting and replenishment technologies to ensure we maximise operational agility and optimise the flow of product in order to meet customer demand. • Optimising distribution and logistics platforms to ensure we can deliver products via the most efficient routes to market. • The delivery of leading edge web architectures and platforms to provide a compelling online offer including the options to deliver enhanced 'click, pay and collect' functionality, across smart phone and tablet based applications.

Common

Strategic aim	Group risks	Mitigation
Building innovative common brands	We fail to unlock the potential to generate further shareholder value through the optimisation of combined purchasing and commercial synergies, while retaining accountability at our Operating Companies.	The development of common brands and synergies remains a priority across the organisation. To ensure that we maximise the opportunities to deliver the differentiation of product ranges with competitors, through innovative and exclusive product, and to increase and maximise scale efficiencies we: • Are implementing high quality analytic technologies to ensure that we understand our buying behaviours, habits and product insight across all of our businesses and that we are able to identify specific opportunities to drive the optimal, and most profitable, outcomes from our common buying decisions. • Have set up a common projects team to identify the optimum opportunities for implementing common products across the Group.

Expand

Strategic aim	Group risks	Mitigation
Growing our presence in existing markets	Our investments in new store formats and customer proposition strategies fail to stimulate increased consumer spend and do not deliver the desired return to top line like-for-like growth in our mature markets.	Despite the ongoing challenges of global austerity programmes and their impact on consumer confidence, we are committed to re-investing in our mature markets to maintain market share and to ensure market leadership. We continue to invest in our existing store portfolio whilst seeking to minimise its cost base and optimise sales densities. Where there are opportunities to expand and innovate we will do so using a combination of existing and new formats, and try low risk market entry and new flexible store format strategies based on the utilisation of current Operating Company skills and resources.
	Uncertainty surrounding the resilience of the global economy and volatility in the Eurozone continues to impact both consumer confidence and the long term sustainability and capabilities of our supplier base.	With continuing market volatility and uncertainty across all of the economies in which we operate, particularly within the Eurozone, we continue to monitor potential exposures and risks and provide effective risk management solutions to both our businesses and our strategic suppliers. These include: • The provision of supply chain finance programmes to support strategic suppliers. • Support from a strong portfolio of international banking partners with the strongest short term credit rating that provide flexibility, diversification of cash holdings, access to funding and reliable local retail cash and card payment processing services. • An appropriate and prudent mix of hedging policies, cash deposits and debt financing to minimise the impact of foreign exchange currency volatility on the Group.

Strategic aim	Group risks	Mitigation
Expand in new and developing markets	We lack the necessary agility and capability to identify, assess and take advantage of potential opportunities for overseas expansion and market penetration strategies for existing markets.	We continually review and assess opportunities for expansion, in terms of both online and bricks and mortar retail, across all of the territories and regions in which we operate. Country and market entry strategies are based on the application of a proven operating model and supported by the Operating Company with the most relevant experience, capabilities and capacity to successfully lead a market entry strategy. We also ensure that any proposed acquisition or market entry strategy is subject to an appropriate level of challenge and due diligence from both the Group Executive and specialist Group functions which may include the Tax, Treasury, Legal, Group Finance and Group Risk and Internal Audit functions. This due diligence is also supported by external and independent advisors when necessary.

One Team

Strategic aim	Group risks	Mitigation
Developing leaders and connecting people	We do not make the necessary investment in our people to ensure that we have the appropriate calibre of staff, skills and experience.	Across our businesses we are developing our talent, building our leadership capability and connecting our people through intelligent networks. Specific examples of this include: • The continued investment in development of our senior leaders through the Kingfisher 'One Academy', including the 2020 Leadership Programme and the development of networks across our businesses. • Focused development activities for our store-based colleagues, including the roll out of national apprenticeship schemes across our UK and French businesses, and an increased focus on how we support and recognise the role of our customer advisors across the organisation. • Recognition of the importance of ensuring a constant flow of developing talent through structured graduate and management trainee programmes, providing sustainable career development paths supported by new and innovative reward and bonus frameworks.

Operational Risks

	Risk	Mitigation
Pricing	A lack of perceived price competitiveness, particularly when compared to more discount based or online competitors, would affect our ability to maintain or grow market share.	Significant investment in pricing to reinforce and communicate our value credentials. This is supported by: • The use of improved customer insight and analytical tools to optimise product ranging and pricing strategies • Increased margin flexibility through partnerships with strategic vendors and the leveraging of Group buying opportunities • More targeted use of online and mass media tools to communicate and reinforce price perception (for example, price comparison websites, such as kitchen-compare.com and bathroomcompare.com in the UK).
Key supplier resilience and continuity	Key product suppliers lacking the necessary resilience or disaster recovery capabilities to manage the impact of on-going global economic volatility or the increasing impacts of extreme weather cycles and patterns on their operations and extended supply chains.	We continue to support our strategic suppliers through a combination of relationship management, and ongoing supplier vulnerability assessments, supported by supplier financing programmes where appropriate. We also proactively look to ensure continuity of supply through the expansion of our own brand programmes and dual sourcing strategies where possible and commercially viable. On-going investment in our sourcing offices outside of the Far East, notably in Poland and Turkey, also provides increased flexibility for our sourcing strategies.
Health & safety	We fail to maintain a safe environment for our customers and store colleagues which results in a major incident or fatality that is directly attributable to a failure in our Health & Safety management systems.	With 78,000 employees and millions of 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 reviews and challenges Health & Safety performance, standards and targets across our businesses. As 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 and that appropriate health and safety arrangements are in place to protect our employees and customers and that we comply with local regulatory requirements. Compliance is monitored across our businesses through a programme of self-certification and Health & Safety audits, with issues reported through local Audit Committees and escalated to the Group Executive or Board where necessary.
Environmental or ethical failure	Impact on Kingfisher's reputation and brand arising from a major environmental or ethical failure, a significant corporate fraud or material non-compliance with legislative or regulatory requirements resulting in punitive or custodial procedures.	Both employees and suppliers working for or with Kingfisher must conduct themselves according to our minimum standards of ethics and behaviours as defined by our Code of Conduct. Responsibility for compliance with our Code of Conduct rests with each Group Operating Company Chief Executive and appropriate resources are available to our businesses to ensure that both staff and suppliers are aware of, and comply with, the code and our businesses can manage the legislative or regulatory challenges presented by their respective jurisdictions. Our commitment to sustainability remains a key value for Kingfisher and across the organisation we continue to ensure that we engage with our key environmental partners and stakeholders to ensure that, where possible, we integrate sustainable practices into our business models and our property, logistics and distribution strategies.

Board of directors

The Board is made up of a non-executive Chairman, four executive directors and six non-executive directors who have overall collective responsibility for the direction of the Company. The role and composition of the Board is set out on page 35.

Daniel Bernard ▲ ■
Chairman

Current directorships: Joined the Board as Deputy Chairman in May 2006 before being appointed Chairman on 3 June 2009. He is President of Provestis, his own investment company, and since January 2010 has been Chairman of MAF Retail Group, Dubai. He has also been Senior Advisor of Towerbrook Capital Partners since October 2010. He is a non-executive director of Alcatel Lucent and Capgemini and Phase Eight Ltd. He is also President of the HEC Business School Foundation in Paris and a member of the Advisory Board of HEC.

Expertise and experience: Daniel provides considerable retailing experience and expertise to the Kingfisher Board. He was Chairman and Chief Executive of Carrefour, the Paris-based retail group and the world's second largest retailer, from 1992 to 2005. Prior to Carrefour, he was Chief Operating Officer of METRO, Germany's leading international retailer.

Ian Cheshire
Group Chief Executive

Current directorships: Appointed to the Board in June 2000 and as Group Chief Executive in January 2008. He is also a non-executive director of Whitbread plc, lead non-executive member on the Department for Work and Pensions Board, member of the Prince of Wales Corporate Leaders Group on Climate Change, and a Member of the Business Disability Forum President's Group. In October 2012, Ian became the Chairman of the British Retail Consortium.

Expertise and experience: Ian 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.

Karen Witts
Group Finance Director

Current directorships: Appointed to the Board in October 2012.

Expertise and experience: Karen provides additional recent relevant finance expertise to the Board. She was previously Chief Financial Officer, Africa, Middle East, Asia and Asia Pacific for Vodafone plc. From 1999 to 2010 she worked at BT plc, most recently as Chief Financial Officer, BT Retail and Managing Director Enterprises and before that as Managing Director Operations, Openreach. She is a chartered accountant and has experience in finance and management roles at companies such as Paribas, Diageo, Mars Electronics, The Observer newspaper and Ernst & Whinney.

Andrew Bonfield ● ▲ ■
Non-Executive Director

Current directorships: Appointed to the Board in February 2010 and is Chairman of the Audit Committee. He is Finance Director of National Grid plc. He is also a Committee member of the Hundred Group of Finance Directors.

Expertise and experience: Andrew brings significant current finance experience to the Kingfisher Board. He was previously Chief Financial Officer of Cadbury plc and prior to that he was Chief Financial Officer of Bristol-Myers Squibb from 2002 to 2007, Finance Director of BG Group plc from 2001 to 2002 and Chief Financial Officer of SmithKline Beecham Plc from 1999 to 2000 during an 11 year period with the pharmaceuticals group.

Pascal Cagni ■
Non-Executive Director

Current directorships: Appointed to the Board in November 2010. He is a non-voting director of the supervisory board of Vivendi.

Expertise and experience: Pascal provides the Board with expertise in the field of digital and online retailing. Until recently, he was Vice President and General Manager of Apple Europe, Middle East, India and Africa, and was with Apple for ten years in a variety of roles. His previous experience includes roles at NEC, Compaq and Booz Allen Hamilton. He also held the position of non-executive director on the board of Egg Banking plc, from 2002 to 2006 and on the board of Atari, the computer games company.

Clare Chapman ▲ ■
Non-Executive Director

Current directorships: Appointed to the Board in December 2010 and is Chairman of the Remuneration Committee. She is currently Group People Director of BT plc and is on the Advisory Board of the Judge Institute, the Business School of the University of Cambridge.

Expertise and experience: Clare brings significant human resources expertise to the Kingfisher board. She was previously the Director General of Workforce for the NHS and Social Care, and was also a non-executive director of TUI Travel plc and Chairman of its Remuneration Committee. Her previous experience also includes Group HR director of Tesco plc from 1999 to 2006 and HR Vice President of Pepsi-Cola's West and Central European operations from 1994 to 1999.

Kevin O'Byrne
CEO, B&Q and Koçtaş Brands

Current directorships: Kevin was appointed to the Board as Group Finance Director in October 2008. He ceased to be Finance Director in September 2012. As CEO, B&Q and Koçtaş brands he holds responsibility for the Group's businesses in the UK, Ireland, China, Turkey and the Hornbach investment in Germany. He is deputy chairman of Koçtaş Yapi Marketleri Ticaret A.S. and a member of the supervisory board of Hornbach Holding AG. He is Senior Independent Director and Chairman of the Audit Committee of Land Securities plc.

Expertise and experience: Kevin worked for Dixons Retail plc from 2002 to 2008 where he was Group Finance Director. Previously he was European Finance Director at Quaker Oats Limited. He is a fellow of the Institute of Chartered Accountants in England and Wales.

Philippe Tible
CEO, Castorama and Brico Dépôt Brands

Current directorships: Appointed to the Board in October 2012.

Expertise and experience: Philippe was appointed Kingfisher Divisional CEO of Castorama and Brico Dépôt after nine years with the Group. He previously spent four years as Chief Executive of Kingfisher France, and prior to this he spent five years as CEO of Castorama France. He holds responsibility for the Castorama and Brico Dépôt businesses in France, Poland, Russia and Spain. He previously held senior roles at DIY retailer Leroy Merlin and furniture retailer Conforama.

● Audit Committee
▲ Remuneration Committee
■ Nomination Committee
See pages 34 to 44 for further details.

Anders Dahlvig ● ■
Non-Executive Director

Current directorships: Appointed to the Board in December 2009. He is a director of Oriflame Cosmetics AB, H&M Hennes & Mauritz AB and Axel Johnson AB; and is Chairman of The New Wave Group and a member of the Advisory Board of Lund University Business School. He is also a director of Resurs Bank AB, and Pret A Manger Limited.

Expertise and experience: Anders brings extensive commercial retailing expertise to the Board. He was previously Chief Executive and President of The IKEA Group from 1999 to 2009, having spent 26 years with the company. Prior to becoming Chief Executive, he was Vice President of IKEA Europe from 1997 to 1999 and Managing Director of IKEA UK from 1993 to 1997.

Janis Kong ● ▲ ■
Non-Executive Director

Current directorships: Appointed to the Board in December 2006. She is a non-executive director of Portmeirion Group PLC, NetworkRail, VisitBritain and TUI Travel plc. She is also a non-executive director of Copenhagen Airports A/S.

Expertise and experience: Janis provides important operational experience to the Kingfisher Board. She was previously a non-executive director of The Royal Bank of Scotland Group Plc and, until her retirement in March 2006, was a director of BAA plc and Chairman of Heathrow Airport Ltd for five years as well as being Chairman of Heathrow Express. Prior to that she was Managing Director of Gatwick Airport and has held a number of operational roles within BAA during her 33-year career with the company.

Mark Seligman ● ■
Senior Independent Director

Current directorships: Appointed to the Board in January 2012. He is a non-executive director of BG Group plc, where he is also chairman of the Audit Committee. He serves as an alternate member of the Panel on Takeovers and Mergers, a member of the Regional Growth Fund advisory panel and non-executive deputy chairman of G4S, where he is also Chairman of the Audit Committee.

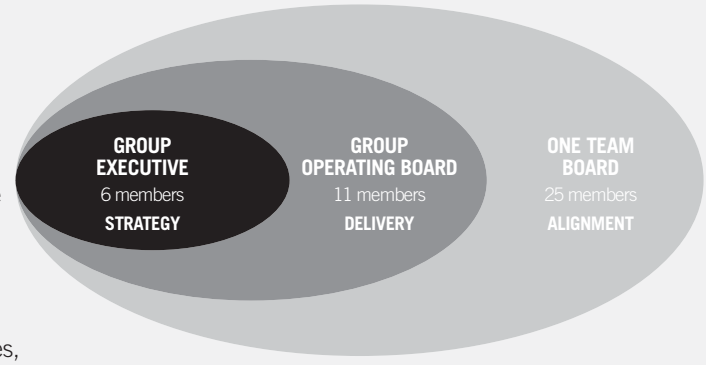
Expertise and experience: Mark provides substantial expertise to the Kingfisher Board in the field of finance. He was a senior adviser at Credit Suisse. He began his career at Price Waterhouse and spent over 30 years in the City, including senior roles at SG Warburg, BZW and Credit Suisse First Boston. At Credit Suisse he was deputy chairman Europe from 1999 to 2005 and later Chairman UK Investment Banking from 2003 to 2005.

Senior management

In addition to the Kingfisher plc Board, the Group Executive is responsible for the overall strategic decision-making of the Group.

The Group Operating Board, made up of the Group Executive and five other members, is responsible for the delivery of the strategy, reviewing our progress against it and ensuring strategic priorities are fully supported.

The One Team Board, made up of the Group Operating Board and 14 other members, is responsible for implementing the strategy and fulfilling our Better Homes, Better Lives mission at an Operating Company level.



Group Executive

Ian Cheshire
Group Chief Executive

Guy Colleau
CEO, Group Sourcing and Offer

Kevin O'Byrne
CEO, B&Q and Koçtaş brands

Philippe Tible
CEO, Castorama and Brico Dépôt brands

Steve Willett
CEO, Group Productivity and Development

Karen Witts
Group Finance Director

Group Operating Board

Evelyn Gardiner
Group Human Resources Director

Véronique Laury
CEO, Castorama France

Martyn Phillips
CEO, B&Q UK & Ireland

Alain Souillard
CEO, Brico Dépôt brand, International

Marc Ténart
Finance Director, Castorama and Brico Dépôt brands

One Team Board

Benedikt Benenati
Group Internal Communications Director

John Declerck
Group Strategy Director

Tanguy Dewavrin
CEO, Castorama Poland

Nick Folland
Group Corporate Affairs Director: Net Positive

Pascal Gil
CEO, Brico Dépôt Spain

Ian Harding
Group Communications Director

Jacques Hayaux du Tilly
CEO, B&Q China

Andrew Livingston
CEO, Screwfix

Christophe Mistou
Group Brands and Product Development Director

Alp Özpamukçu
CEO, Koçtaş Turkey

Médéric Payne
CEO, Castorama Russia

Ian Playford
Group Property Director

Anthony Sutcliffe
Group Sourcing Director

Clare Wardle
Group General Counsel

GOVERNANCE
Directors' report

The directors present their report and audited financial statements for the financial year ended 2 February 2013.

Principal activities
The Group's principal activity is selling home improvement products and services through stores, catalogues and online channels. Our aim is to make it easier for customers to have better and more sustainable homes.

Business model
Our unique contribution as a business to our customers is that we can harness our home improvement experience, our heritage as a leader in sustainability and our international scale and sourcing capability to bring new, more sustainable and more profitable products and services to market. Our business model aims to generate economic profit and cash by maximising our sales whilst keeping costs low within our stores, our supply chain and our central functions.

This model is used to deliver Kingfisher's Creating the Leader strategy, which is covered in detail on pages 6 to15.

Business review
The Business Review, which is set out on pages 2 to 27 provides a comprehensive review of the development, performance and future prospects of the Group's operations for the year ended 2 February 2013. The information set out in the Business Review includes the Group's Key Performance Indicators, a statement on Corporate Responsibility, a Financial Review including financial and capital risk, and a description of the principal risks and uncertainties facing the Group. These sections are incorporated by reference and deemed to form part of this report.

Dividends
The directors recommend a final dividend of 6.37p (2011/12: 6.37p) per ordinary share amounting to £151m (2011/12: £148m) to be paid on 17 June 2013 to members appearing on the Register at the close of business on 10 May 2013. Together with the interim dividend of 3.09p (2011/12: 2.47p) per ordinary share, amounting to £73m (2011/12: £57m), paid on 16 November 2012, the total dividend for the financial year ended 2 February 2013 will be 9.46p (2011/12: 8.84p) per ordinary share, amounting to £224m (2011/12: £205m).

The Kingfisher Employee Benefit Trust has waived all dividends payable by the Company in respect of the ordinary shares held by it. The total dividends waived in the year to 2 February 2013 were in aggregate £3.2m.

Directors
Full biographical details of the current directors are set out on pages 28 and 29. Philippe Tible and Karen Witts joined the Board as executive directors on 1 October 2012, and will seek appointment by shareholders at the Annual General Meeting ('AGM') on 13 June 2013. Euan Sutherland joined the Board as an executive director on 1 October 2012 and resigned from the Board on 31 January 2013 to join the Co-operative Group as CEO. In accordance with the principles of the UK Corporate Governance Code, all directors will retire and be submitted for appointment or re-appointment at the AGM in 2013.

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 2012/13 financial year. The Company has also purchased and maintained Directors' and Officers' liability insurance throughout 2012/13. Neither the indemnities nor the insurance provides cover in the event that the director concerned is proved to have acted fraudulently.

Directors' interests
Details of directors' remuneration, service contracts and interests in the Company's shares and share options are set out in the Directors' Remuneration Report on pages 45 to 59. No director had a material interest at any time during the year in any derivative or financial instrument relating to the Company's shares.

Principal risk identification and management
The principal risks and uncertainties facing the Group have been reviewed by the Board and are shown in the Risks section on pages 25 to 27. The Risks section also provides information on the performance of the Board in actively managing those risks, to allow assessment of how the directors have performed their statutory duty to promote the success of the Company.

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

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

Across the Group, women accounted for 40% of total employees and 30% of managers in 2012/13. B&Q UK continued its long-established policy of promoting age diversity, with around a quarter of its employees aged over 50.

The Group's statement on employee development is set out in the People section of the Company's website, and details of employee involvement through participation in share incentive schemes are contained in the Directors' Remuneration Report on pages 45 to 59.

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

Corporate responsibility
Details of the Group's corporate responsibility policy and operations are set out on page 16.

Charitable donations
Kingfisher and its subsidiaries made contributions to charity/community projects worth an estimated £2.4m (2011/12: £1.8m) during the financial year ended 2 February 2013, equivalent to 0.3% of adjusted pre-tax profits. This included cash donations (£1.6m) and gifts-in-kind (£0.5m – with product donations at cost price). Support was also given through the donation of time by employees (£0.3m).

Political donations
The Board annually seeks and obtains shareholders' approval to enable the Group to make donations or incur expenditure in relation to EU political parties, other political organisations or independent election candidates under section 366 of the Companies Act 2006.

The Group made no political donations during the year (2011/12: £nil). As with previous annual approvals, the Group has no intention of changing its current policy and practice of not making political donations. The Board seeks the approval on a precautionary basis to avoid any unintentional breach of the relevant provisions. Shareholder approval will be sought at this year's AGM to renew this authority; further details are provided in the Notice of AGM.

Supplier payment policy
The Company does not impose standard payment terms on its suppliers but agrees specific terms with each of them, and then pays in accordance with those terms. The Group's UK operating companies have all signed up to the Prompt Payment Code. On average, the Company's suppliers are paid in 45 days.

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

- the £200 million credit facility dated 8 July 2011 between the Company, HSBC Bank plc (as the facility agent) and the banks named therein as lenders, which contains a provision such that in the event of a change of control any lender may, if they so require, notify the agent that they wish to cancel their commitment whereupon the commitment of that lender will be cancelled and all their outstanding loans, together with accrued interest, will become immediately due and payable; and
- the US$297 million US Private Placement notes, issued pursuant to a note purchase agreement dated 24 May 2006 by the Company to various institutions, which contains a provision such that in the event of a change of control, the Company is required to make an offer to the holders of the US Private Placement notes to prepay the principal amount of the notes together with interest accrued.

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

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

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

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

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

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

Authority to allot shares
At the AGM in 2012, shareholders approved a resolution to give the directors authority to allot shares up to an aggregate nominal value of £124,107,897. In addition, shareholders approved a resolution to give the directors authority to allot up to a nominal amount of £248,215,795 in connection with an offer by way of a rights issue in accordance with ABI guidance. If this additional allotment authority were used, the ABI guidance would be followed. The directors have no present intention to issue ordinary shares, other than pursuant to employee share incentive schemes. These resolutions remain valid until the conclusion of this year's AGM when resolutions will be proposed to renew these authorities.

Authority to purchase own shares
At the AGM in 2012, shareholders approved a resolution for the Company to make purchases of its own shares to a maximum number of 236,933,259 ordinary shares, being approximately 10% of the issued share capital. This resolution remains valid until the conclusion of this year's AGM. As at 25 March 2013, the directors have not used this authority. In order to retain maximum flexibility, a resolution will be proposed at this year's AGM to renew this authority. It is the Company's current intention that shares acquired under this authority will be cancelled.

Financial instruments
The Group's financial risk management objectives and policies are set out in note 24 to the financial statements on pages 87 to 89. Note 24 also details the Group's exposure to foreign exchange, interest, credit and liquidity risks. These notes are included by reference and form part of this report.

Major shareholders
As at 7 March 2013, the Company was aware of the following interests in its shares:

	Number of ordinary shares held	% of total voting rights
Thornberg Investments Management Inc	194,252,960	8.77%
Templeton Investments Counsel, LLC	197,406,849	8.33%
Capital Research Global Investors	115,655,941	4.88%

Annual General Meeting
The 2013 Annual General Meeting of the Company will be held on 13 June 2013 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

Paul Moore
Company Secretary
25 March 2013

GOVERNANCE

Directors' statement of responsibility

Going concern

The directors confirm that, after reviewing expenditure commitments, expected cash flows and borrowing facilities, they have a reasonable expectation that Kingfisher plc (the 'Company') and the Kingfisher Group of companies (the 'Group') have adequate resources to continue in operational existence for the next financial year and the foreseeable future. For this reason they continue to adopt the going concern basis in preparing these financial statements. Further details of the Group's liquidity are detailed in the financial review on page 17.

Disclosure of information to auditors

Each person who is a director at the date of approval of this report confirms that: so far as he or she is aware, there is no relevant audit information (as defined by section 418 of the Companies Act 2006) of which the Company's auditors are unaware; and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Responsibility for preparing financial statements

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

UK company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

In preparing the Group financial statements in accordance with IAS 1; 'Presentation of Financial Statements', the directors are required to:

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

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

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

Responsibility statement

The directors confirm that to the best of their knowledge:

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

By order of the Board

Paul Moore
Company Secretary
25 March 2013

Corporate governance

"AN EFFICIENT, CHALLENGING AND DIVERSE BOARD IS ESSENTIAL TO ENABLE THE BUSINESS TO DELIVER ITS STRATEGY AND SHAREHOLDERS' LONG-TERM INTERESTS."

Daniel Bernard
Chairman

For a PDF of the Corporate Governance Report, go to **http://annualreport.kingfisher.com/2012-13**

Dear Shareholder

I am pleased to present the Company's Corporate Governance report for the year ended 2 February 2013. The aim of this report is to provide a clear and meaningful explanation of the Company's governance arrangements, which we consider to be essential for the long-term success of the Company, and the promotion of the highest standards of corporate governance.

The Board remains committed to promoting the highest standards of corporate governance, understanding that an efficient, challenging and diverse Board is essential to enable the business to deliver its strategy and shareholders' long-term interests, whilst generating stakeholder confidence that the business is conducting itself in a responsible manner. As part of its overall governance arrangements, the Company's Code of Conduct, which mandates minimum standards of behaviour for all employees and suppliers, was updated and relaunched across the Group during the year.

As last year, this report reviews the operation of the Company by reference to the UK Corporate Governance Code (the 'Code') and a statement of compliance with the Code is set out opposite. The Company is required to report its compliance against the revised 2012 UK Corporate Governance Code for its financial year commencing 3 February 2013, and we are confident that it will be able to report compliance with the revisions within our 2013/14 annual report.

This report, together with the Directors' Report on pages 31 to 32, and the Directors' Remuneration Report on pages 45 to 59, provides details of how the Company has applied the principles and complied with the provisions of the Code. A copy of the Code is available at www.frc.org.uk.

The Board constantly reviews its governance framework, adjusting where necessary the roles, structure and accountabilities of its mechanisms of governance. During the year, the governance structure below the Board and primary committee level was reviewed. As part of the review the terms of reference of the Group Executive Committee, the Kingfisher Capex Committee and the Financial Initiatives, Tax and Treasury Committee, were all reviewed and, where necessary, amended to reflect the operations of those committees and the powers delegated to them. As part of the review, the Group Executive Committee will focus on the development of the Group's strategy, and its membership was expanded and enhanced.

In addition, a new Group Operating Board was established, and this committee will focus on the delivery of the Group's strategy.

The revised Group governance structure, together with an overview of each of these Committees, is set out on pages 38 to 39.

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

Daniel Bernard
Chairman
25 March 2013

Compliance with the UK Corporate Governance Code

The Board is required to report on the operations of the Company by reference to the UK Corporate Governance Code (the 'Code'), and has reviewed its operations and governance framework to ensure that they reflect the principles of the Code. In accordance with the Listing Rules of the UK Listing Authority, the Board confirms that, throughout the year ended 2 February 2013, and as at the date of this report, the Company has complied with the provisions set out in Section 1 of the Code, save for as set out below.

Provision D.1.1 provides that grants under long-term incentive schemes should normally be phased rather than awarded in one large block.

As reported in our 2011/12 annual report, the Company set stretching long-term targets for management as part of the Creating the Leader phase of Kingfisher's strategy. The Remuneration Committee approved awards under the Performance Share Plan of up to 500% of base salary. The award was higher than the normal award of 200% but in making it, the Committee took into account the fact that no further awards would be made under the Plan until the financial year 2014/15, and felt that it created a better focus on a single performance period aligned to the next phase of the Group's strategy, rather than the more commonly used overlapping performance periods.

Leadership

The role of the Board

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

The Board's powers are set out in the Company's Articles of Association, which are available to view on its website, and may be amended by a special resolution of its members. The Board may exercise all powers conferred on it by the Articles, in accordance with the Companies Act 2006 and other applicable legislation.

The Board has established a formal schedule of matters reserved for its approval, and has delegated other specific responsibilities to its principal committees: the Audit, Remuneration and Nomination Committees. These are clearly defined within the written terms of reference of the respective committees. Information on the responsibilities and work of each of the Board's committees is set out on pages 40 to 44.

During the year, as part of its annual review process, the matters reserved for the Board were reviewed, and, where necessary amended to reflect best practice. The schedule of matters reserved for the Board includes the consideration and approval of:

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

Composition of the Board

The Board is made up of a non-executive Chairman, four executive directors and six non-executive directors. The current balance of the Board's skills, experience and knowledge, together with regular briefings by executives below Board level, ensures that views, perceptions and discussions are not dominated by any one specific view. The composition of the Board is continually reviewed to ensure it remains suitable for the needs of the business, and this continues to be the primary focus of the Nomination Committee.

There is an established, formal, rigorous and transparent procedure for the selection and appointment of new directors to the Board, and this is described in the Nomination Committee Report on page 43. During the year, Kevin O'Byrne stepped down as Group Finance Director to take up the role of CEO B&Q and Koçtaş brands, and was replaced by Karen Witts, who joined the Board on 1 October 2012. Euan Sutherland and Philippe Tible were appointed to the Board as executive directors on 1 October 2012. Mr Sutherland subsequently stepped down from the Board on 31 January 2013 ahead of leaving the Group in March 2013.

At the Annual General Meeting to be held on 13 June 2013, shareholders will be asked to appoint Karen Witts and Philippe Tible and, in accordance with Principle B.7.1 of the Code, re-appoint their fellow directors.

Role of the non-executive directors

Non-executive directors provide a strong, independent and external insight to the Board and its Committees, and have a wealth of experience and business knowledge from other sectors and industries. The terms and conditions of appointment of each of the non-executive directors are available for inspection at the Company's registered office and will also be available for inspection at the Annual General Meeting.

During the year, the Board considered the independence of each of the non-executive directors (other than the Chairman, who was deemed independent by the Board at the date of his appointment) against the criteria specified in the Code, and concluded that each remained fully independent of management and free from any relationship that could interfere with the exercise of their independent judgement.

Role of the Senior Independent Director

Since his appointment in January 2012, Mark Seligman has acted as Senior Independent Director ('SID'), supporting the Chairman, and is available for approach or representation from significant shareholders who feel they are unable to raise issues with the Chairman, Group Chief Executive or Group Finance Director. In accordance with the Financial Reporting Council's ('FRC') guidelines, the role of the SID is formally set out in writing, and available on the Company's website. During the year, there were no requests from shareholders or other Board directors for access to the SID.

Roles of the Chairman and Group Chief Executive

There is a clear division of responsibilities between the Chairman and the Group Chief Executive. As part of its annual review process, the Board reviewed the written roles of the Chairman and Group Chief Executive to ensure they remained compliant with, and took account of, best practice developments, and were in line with FRC guidance. The written roles are available to view on the Company's website.

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

The Group Chief Executive, Ian Cheshire, is responsible for all executive management of the Group's business, consistent with the strategy and commercial objectives agreed by the Board. He leads the Group Executive team in effecting decisions of the Board and its Committees, and is responsible for the maintenance and protection of the reputation of the Company and its subsidiaries. The Group Chief Executive is also responsible for promoting and conducting the affairs of the Group with the highest standards of integrity, probity and corporate governance.

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 management of the committees to other suitably qualified staff. The Company Secretary is also responsible for ensuring that correct Board procedures are followed, and advises the Board on corporate governance matters. All directors have access to the advice and services of the Company Secretary, and their appointment and removal is one of the matters reserved to the Board. The Board also has access to the Group General Counsel for legal and compliance advice.

Diversity on the Board
In September 2011, the Board announced its approach to diversity. The statement, which is available on the Company's website, confirmed that the Board is committed to ensuring directors of the Company possess, and demonstrate a broad balance of skills, experience, independence, knowledge and diversity, including gender diversity. During the year, the Nomination Committee considered the diversity of candidates short-listed for the role of Group Finance Director before appointing Karen Witts on 1 October 2012. The Board believes that balanced and diverse Boards are effective, and is committed to maximising the benefits of a diverse workforce to deliver real sustainable benefits for the Group and its shareholders.

The charts below demonstrate the gender split at Board level, One Team Leadership Group level, and for the workforce as a whole.

Effectiveness

Board meetings
The Board holds regular scheduled meetings throughout the year and holds unscheduled supplementary meetings as and when necessary. These meetings are structured to allow open discussion. At each meeting the Board receives certain regular reports which include an update from the Group Chief Executive, current trading/finance (including liquidity) reports from the Group Finance Director, capital expenditure approvals and reports from the Company Secretary (including governance, legal, insurance and risk, and corporate responsibility updates) and people-related updates from the Group Human Resources Director.

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

The Board generally meets at the Group's head office in London and holds at least one meeting each year overseas. During the year under review, the Board held a meeting in Paris, and reviewed the Brico Dépôt and Castorama brands in France, Poland, Russia and Spain. In addition to its normal meetings, at least once per year, the Board holds a meeting off site, which focuses on presentations from the UK executive team and includes visits to UK stores. During the year, the Board held two such meetings and visited the Group's regional Distribution Centre and a B&Q store in Swindon. It is the Board's intention to conduct at least one meeting each year outside the UK in a country in which the Group operates.

At the request of any non-executive director, the Chairman will arrange meetings consisting of just the non-executive directors. During the year, the Chairman and non-executive directors met without the executive directors, and there were no matters of concern raised at this meeting.

Gender split

Board

Female 27%
Male 73%

One Team Leadership Group

Female 22%
Male 78%

Total workforce

Female 40%
Male 60%

The Chairman maintains regular contact with the Senior Independent Director and met with each of the non-executive directors individually as part of the Board evaluation discussions.

Activities during the year

During the year, in addition to its regular business, the Board:

- oversaw the development and articulation of the Group's Net Positive strategy;
- approved the process for the review of the Company's defined benefit pension scheme, and approved the curtailment of that scheme to new members and an enhancement of the defined contribution scheme;
- reviewed the Group's risk profile and defined the process by which the risk appetite of the Board would be established;
- considered and approved the commencement of the examinership process for its business in Ireland;
- reviewed the Group's anti-bribery and corruption policies and procedures to ensure continued compliance with the UK Bribery Act; and
- received regular strategic presentations from management and held "deep dive" discussions with management of the Group's Operating Companies, information technology and Group sourcing management.

Board evaluation

The Board conducts a review of its performance each year. During the year under review, the Board evaluated its effectiveness using an externally facilitated questionnaire and a series of one-to-one interviews between each director and the Chairman. The questionnaire was developed by reference to the topics discussed and recommendations made during the previous evaluation, and drafted following discussions between the Chairman, the Company Secretary and the external facilitator, Lintstock. Responses to the questionnaire were collated and the output was used by the Chairman in his individual meetings with directors as part of the evaluation process.

The areas considered during the evaluation were:

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

The results of the evaluation were considered by the Board at its meeting in January 2013. No significant issues were highlighted and the review clearly indicated that the Board continued to work efficiently and effectively, and that the contribution and commitment of each director, and their interaction with each other, was good, and that the non-executive directors offered robust challenge where appropriate. As a result of the evaluation, the Board agreed to undertake the following activities during the 2013/14 financial year:

- review the forward business agenda to ensure that there is sufficient time to focus on common key Group programmes and initiatives;
- maintain oversight of the Group's performance relative to its competitors and customer trends; and
- increase its exposure to the Group's senior management below the Board.

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

The Board has confirmed that the contribution of each of the directors continues to be effective and that shareholders should be supportive of their appointment or re-appointment to the Board. Biographical details of each director are set out on pages 28 to 29.

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

In accordance with Provision B.6.2 of the Code, which requires Boards to undertake an externally facilitated evaluation at least every three years, the Board intends to appoint a suitable independent facilitator during the year to conduct the 2013/14 performance evaluation, and will report on the findings of that evaluation within the 2013/14 annual report.

Board and Committee meeting attendance

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

	Tenure in years	Board	Audit Committee	Remuneration Committee	Nomination Committee
Daniel Bernard	6	9/9	–	4/4	3/4[3]
Andrew Bonfield	3	8/9	4/4	3/4	3/4[3]
Pascal Cagni	2	8/9	–	–	4/4
Clare Chapman	2	9/9	–	4/4	4/4
Ian Cheshire	12	9/9	–	–	–
Anders Dahlvig	3	8/9	3/4	–	3/4[3]
Janis Kong	6	9/9	4/4	4/4	3/4[3]
Kevin O'Byrne	4	9/9	–	–	–
Mark Seligman	1	9/9	4/4	–	4/4
Euan Sutherland[1],[2]	<1	3/3	–	–	–
Philippe Tible[1]	<1	3/3	–	–	–
Karen Witts[1]	<1	3/3	–	–	–

(1) Euan Sutherland, Philippe Tible and Karen Witts were appointed to the Board with effect from 1 October 2012.

(2) Euan Sutherland retired from the Board following the meeting on 31 January 2013.

(3) Directors did not attend meetings where their reappointment was considered.

Induction, information and professional development
All new directors appointed to the Board receive an induction pack as part of their comprehensive induction programme tailored to their experience, background and particular areas of focus. The induction programme is designed to develop directors' knowledge and understanding of the Group's operations and culture.

The induction programme includes:

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

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

Following the appointment of three new executive directors during the year, the Company Secretary arranged for the Group's corporate lawyers to provide a training session on their duties and responsibilities as directors of a UK listed company. Amongst other topics, the training covered Listing Rules compliance and the control and release of inside information, and provided case studies and practical situations for the directors to consider.

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

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

In addition to planned development and briefings, directors are 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 requisite knowledge, ability and experience to perform the functions required of a director of a listed company. There is also an agreed procedure whereby directors may take independent professional advice at the Group's expense in the furtherance of their duties.

Conflicts of interest
Each director has a duty under the Companies Act 2006 to avoid a situation where he or she may have a direct or indirect interest that conflicts with the interests of the Company. The Company has robust procedures in place to identify, authorise and manage such conflicts of interest, and these procedures have operated effectively during the year.

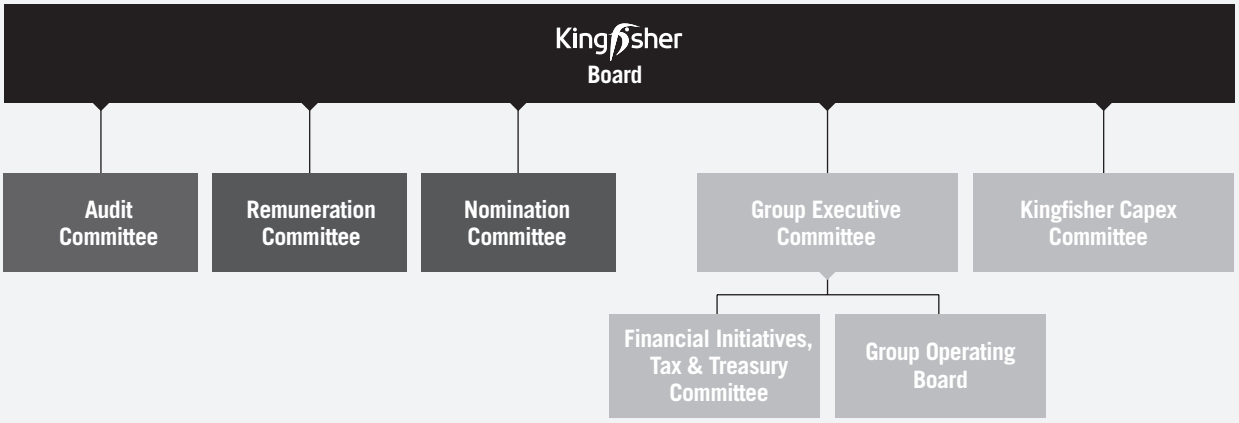
A register of directors' situational and transactional conflicts is maintained by the Company Secretary and reviewed by the Board on a regular basis. The Board confirmed during the year that there were no situations of which they were aware which would, or potentially could, give rise to conflicts with the interests of the Company, other than those that might arise from directors' other appointments, which are set out in the directors' biographies on pages 28 to 29.

Committees
The Board has delegated authority to its principal committees to carry out certain tasks as defined in each committee's respective terms of reference. The written terms of reference in respect of the Audit, Remuneration and Nomination Committees are available on the Company's website. The Board is satisfied that the terms of reference for each of these committees satisfy the requirements of the UK Corporate Governance Code. The terms of reference of the principal committees are reviewed on an on-going basis.

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

In addition to the principal committees, the Board is supported by the work of the Group Executive Committee and its subcommittees. Together these committees form a fundamental element of the Company's corporate governance framework, although they are not formally appointed committees of the Board. The Group's governance structure is set out below. A brief explanation of the work of the Group Executive Committee and the other management committees is set out below:

Organisation and Governance Structure



Group Executive Committee

The responsibilities, structure and composition of the Group Executive Committee were reviewed and amended during the year. The Committee consists of the executive directors, the CEO, Productivity and Development, and the CEO, Group Sourcing and Offer. The Committee meets formally ten times a year under the chairmanship of the Group Chief Executive. The members' details are set out on page 30.

The Committee's primary focus is the strategic direction of the Group. In addition, the Committee monitors top talent within the business and reviews key items requiring formal Board approval including dividend planning, key projects and strategic capex decisions.

In accordance with its formal terms of reference, the Group Executive Committee is also responsible for reviewing and making recommendations to the Board on:

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

During the year, the Committee met seven times and, in addition to its standing agenda, reviewed:

- the Group's branding strategies and Group procurement and sourcing arrangements;
- UK pension reform and the curtailment of the Group's final salary pension scheme and enhancement of the defined contribution scheme;
- operating budgets and monthly trading performance;
- the Group's IT strategy and planning;
- the Group's Irish business and the examinership process;
- strategy for embedding sustainability into Group behaviours; and
- HR proposals for management development and succession planning.

Group Operating Board

The Group Operating Board was established following a review of the work of the Group Executive Committee in March 2013, and is responsible for the day-to-day management of the Group's businesses. In addition, the Group Operating Board reviews the overall financial performance of the Group against its strategic plans and budget. The Group Operating Board will also review people-related activities as part of its structured agenda, and will conduct deep-dive reviews of key areas affecting the business. The Group Operating Board, which meets monthly, comprises all the members of the Group Executive Committee, the CEOs of B&Q UK & Ireland, Castorama France and Brico Dépôt brands, the Group Human Resources Director, and the Finance Director of the Brico Dépôt and Castorama brands.

Kingfisher Capex Committee

The Capex Committee is responsible for reviewing and approving all capital expenditure projects relating to property and non-property proposals in excess of an agreed threshold, which is reviewed periodically. The decisions of the Committee are reported to the Board following each meeting, and the Committee will make recommendations to the Board regarding all projects exceeding its agreed approval threshold. The Committee comprises the Group Chief Executive, Group Finance Director, Group Property Director, CEO, Group Productivity and Development, the Group General Counsel, and the Head of Property Finance.

Financial Initiatives, Tax and Treasury Committee

The primary purpose of the Committee is to monitor compliance of policies and control issues relating to Group Finance, and to review key proposals from Group Finance, Treasury, Tax and Secretariat functions, and where appropriate recommend certain initiatives for approval to the Board. The Committee comprises the Group Finance Director, Group Finance and Planning Director, Group Treasurer, Group Tax Director, Head of Group Pensions, Head of Corporate Development, Group General Counsel, Company Secretary and Group Audit and Risk Director.

Details of each of the Board's principal committees, including membership, are set out in the following reports.

Audit Committee Report

Dear Shareholder

I am pleased to present the report of the Audit Committee for 2012/13. The Audit Committee is appointed by the Board from amongst its non-executive directors, and its principal duties are to provide effective oversight and governance of the internal control and risk management processes of the Company, to review the financial statements and related accounting policies, review the effectiveness of the internal and external audit functions and provide updates and recommendations to the Board.

During the year, the Committee continued the analysis of the Company's risks and associated mitigating controls and focused on compliance, financial governance and internal audit functions. It maintained its good working relationship with the Group Audit and Risk Management Director, the Group Finance and Planning Director, the Company Secretary and Group's external auditor, Deloitte LLP. The Committee maintained, reviewed and where necessary amended its standing agenda, which is linked to the Group's financial calendars.

In order to improve the understanding of their operations, during the year the Committee received in-depth presentations from management of the Group's Operating Companies in the UK, France, Spain, Russia and Turkey, including the key strategic risks impacting each business. The Committee considered and reviewed the Group's adequate procedures in relation to bribery and corruption, the provision of a whistleblowing service and approved accounting judgements in relation to the curtailment of the Kingfisher final salary pension scheme.

A fuller description of the operations of the Committee is set out below. I will be available at the Annual General Meeting to answer any questions about the work of the Committee.

For and on behalf of the Committee

Andrew Bonfield
Chairman of the Audit Committee
25 March 2013

Committee composition

The Audit Committee comprises four non-executive directors:

- Andrew Bonfield (Chairman)
- Anders Dahlvig
- Janis Kong
- Mark Seligman

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

Audit Committee meeting attendance

	From	Attendance
Andrew Bonfield (Chairman)	11/02/2010	4 of 4
Anders Dahlvig	16/12/2009	3 of 4
Janis Kong	11/02/2011	4 of 4
Mark Seligman	01/01/2012	4 of 4

Duties

In accordance with its terms of reference, the Audit Committee is required, amongst other things, to:

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

The Committee's terms of reference were reviewed during the year and are considered fit for purpose and reflect best practice. No amendments were recommended to the Board following the latest review. The terms of reference are available on the Company's website.

Governance

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

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

The Committee is required, under its terms of reference, to meet at least three times a year. During the year, the Committee met four times. The Committee has a standing agenda linked to events in the Group's financial calendar for consideration at each meeting, and within the annual audit cycle, to ensure that its work is in line with the requirements of the UK Corporate Governance Code. At the invitation of the Committee, the Chairman of the Board and the Group Chief Executive attended all meetings, as did the Group Finance Director, Group Audit and Risk Management Director, Group Finance and Planning Director and the external auditor. Private meetings were also held with the external and internal auditors at which management were not present.

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

Activities of the Audit Committee during the year

Governance processes

The Committee conducted an externally facilitated questionnaire based review of its effectiveness during the year. The Committee considered the results of the review at its meeting in January 2013, and concluded that it continued to operate effectively and provide robust challenge and support to the Board. It was agreed by the Committee that no specific actions were required.

Internal controls and risk

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

The Committee considered reports on the output from the Group-wide process used to identify, evaluate and mitigate risks and reviewed the annual report on the Group's systems of internal control and their effectiveness, and reported the results of the review to the Board. Further information on the Group's risk management and internal control procedures can be found on page 42.

As part of the Committee's continuing programme to increase its awareness of the Group's operations and to understand the implementation of Operating Company control processes, the Committee met with and received presentations from the senior management of the operating companies in the UK, France, Spain, Russia and Turkey. In addition, the Committee continued to monitor the progress on the standardisation and improvement of the Group's internal control processes, in a number of key areas.

The Group operates a whistleblowing helpline which allows employees within the Group to make disclosures about suspected financial and operational improprieties. The "SpeakUp" service was relaunched in 2012 and expanded during the year to be available to the Group's suppliers. The Audit Committee reviewed the Group's overall whistleblowing arrangements to ensure they remained effective, at its meeting in January 2013. The Committee reviewed the output from the service and considered the number and type of incidents reported, and was satisfied that the Group continued to maintain adequate mechanisms for recording disclosures.

Financial reporting

The Committee reviewed the annual and interim financial statements during the year. As part of this review, the Committee considered significant accounting policies, financial reporting issues and judgements (including those disclosed in note 3 to the financial statements), together with the reports received from the external auditor on their findings, including any control observations relevant to their audit work. The impact on the Group's financial statements of significant corporate governance and accounting standards applicable during the year, were considered and reviewed by the Committee.

Group Internal Audit

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

External Audit

Deloitte LLP were appointed as the external auditor to the Group in 2009 following a formal tender process.

During the year, the Committee agreed the approach and scope of the audit work to be undertaken by the external auditor and undertook an assessment of their qualification, expertise and resources, independence and the effectiveness of the external audit process. The Committee also reviewed and agreed the terms of engagement, the fees, and areas of responsibility and the work to be undertaken by the external auditor, and agreed the fees payable in respect of the 2012/13 audit work. Details of the amounts paid to the external auditor for their audit services are given in note 7 to the accounts on page 75.

Each of the Group's businesses is consulted on the effectiveness and independence of the external auditor annually. In addition, the external auditor provides the 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 Committee has reviewed and is satisfied with the effectiveness and independence of the external auditor.

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

The Committee reviewed and approved the scope of non-audit services provided by the external auditor to ensure that there was no impairment of independence and objectivity, and subsequently monitored the non-audit work performed to ensure it was within policy guidelines.

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

The Group's policy on the use of the external auditor for non-audit work can be found on the Company's website.

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

During the year, Deloitte LLP charged the Group £1.6m (2011/12: £1.4m) for audit and audit-related services and a further £0.4m (2011/12: £0.5m) for non-audit services during the year.

Accountability, Risk Management and Internal Control

Internal control

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

The Board confirms that it has reviewed the effectiveness of the internal control system, including financial, operational and compliance controls and risk management in accordance with the UK Corporate Governance Code, for the period from 29 January 2012 to the date of approval of this Annual Report.

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

The Board has approved a set of policies, procedures and frameworks for effective internal control. The Group has procedures for the delegation of authorities for significant matters to ensure approval is sought at the appropriate level. These procedures are subject to regular review and provide an on-going process for identifying, evaluating and managing the significant risks faced by the Group. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The responsibility for designing, operating and monitoring the system and the maintenance of effective control is delegated to the management of each Operating Company. The Group's enterprise-wide risk management and reporting process helps Group management to identify, assess, prioritise and mitigate risk. Management at each Operating Company has responsibility for the identification and evaluation of the significant risks applicable to their business and any mitigating actions to be taken. The Group Executive Committee 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 types of risks identified included both strategic and material operational risks and are detailed on pages 25 to 27 of the report.

Management is required to apply judgement in evaluating the risks facing the Group in achieving its objectives, in determining the risks that are considered acceptable to bear, in assessing the likelihood of those risks materialising, in identifying the Group's ability to reduce the incidence and impact on the business of risks that do materialise, and in ensuring the costs of operating particular controls are proportionate to the benefit provided.

Monitoring

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

- an annual planning process and regular financial reporting, comparing results with plan and the previous year on a monthly and cumulative basis;
- written reports from the Group Chief Executive and Group Finance Director submitted at each Board meeting;
- Operating Company management report formally to the Audit Committee on a regular basis on the control environment in their business and actions taken to maintain or improve the environment as appropriate; and
- reports and presentations to the Board on certain areas of specialist risk. These include treasury, insurance, tax and pensions.

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

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

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

Risk appetite

During the year, the Board also considered the nature and level of risk that it was prepared to accept in order to deliver business strategies, and has reviewed and approved the Group's internal statement of risk appetite. This describes both the current and desired levels of acceptable risk, supported by high level qualitative risk statements, ensuring that risks are proactively managed to the level desired by the Board.

Nomination Committee Report

Committee composition

The Committee comprises the Chairman and all the non-executive directors and meets periodically as required. External advisors may be invited to attend meetings when particular issues are to be considered. During the year the Committee met four times. The members of the Nomination Committee are:

- Daniel Bernard (Chairman)
- Andrew Bonfield
- Pascal Cagni
- Clare Chapman
- Anders Dahlvig
- Janis Kong
- Mark Seligman

Nomination Committee meeting attendance

	From	Attendance
Daniel Bernard (Chairman)	24/05/2006	3 of 4
Andrew Bonfield	11/02/2010	3 of 4
Pascal Cagni	17/11/2010	4 of 4
Clare Chapman	02/12/2010	4 of 4
Anders Dahlvig	19/12/2009	3 of 4
Janis Kong	08/12/2006	3 of 4
Mark Seligman	01/01/2012	4 of 4

Directors did not attend meetings where their reappointment was considered.

Duties

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

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

The Committee's terms of reference are reviewed regularly, approved by the Board, and are available on the Company's website.

Activities during the year

During the year, the Committee conducted a rigorous search and selection process, carried out with the assistance of an independent executive search company, Blackwood, to identify suitable candidates for the role of Group Finance Director. Candidates with a background in retail or fast moving consumer goods were considered preferable, and the Nomination Committee considered a shortlist of internal and external candidates before proposing the appointment of Karen Witts as Group Finance Director. In making its appointment recommendations to the Board, the Nomination Committee reviewed the overall balance of skills, knowledge, experience and diversity on the Board against current and future requirements of the Company. Having satisfied itself that both Euan Sutherland and Philippe Tible possessed the necessary balance of skills, knowledge and experience to support the relevant roles and responsibilities of a director of a UK listed company, the Committee recommended and supported their appointment to the Kingfisher plc Board as executive directors.

At its meeting in June 2012, the Committee considered the reappointment of Daniel Bernard for a further three-year period following the expiry of his second three-year term as a director. The Committee agreed that he continued to provide strong and effective leadership to the Board and recommended he be reappointed for a further three-year term.

The reappointment of Andrew Bonfield, Anders Dahlvig and Janis Kong, following the expiry of their three-year terms of appointment as directors, was also considered by the Committee at its meeting in November 2012. The Committee concluded that all directors continued to provide the necessary balance of skills and experience to the Board including considerable financial and retail experience, and in-depth knowledge of the workings of the Group. The Committee therefore recommended to the Board that each be reappointed as a director of the Company for an additional three-year term.

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

Following the changes to the composition of the Board during the year, the Committee firmly believes that the current composition represents a strong, well balanced and diverse Board. The Board membership is made up of specialists in retail, technology, finance and human resources, and possesses considerable knowledge, experience and skills to meet the current and future requirements of the Group. The Chairman will be available at the Annual General Meeting to answer any questions about the work of the Committee.

Daniel Bernard
Chairman of the Nomination Committee
25 March 2013

Remuneration Committee Report

Full details of the Remuneration Committee composition, role, authority and activities during the year are set out in the Directors' Remuneration Report on pages 45 to 59. The report will be subject to an advisory vote by shareholders at the Annual General Meeting on 13 June 2013.

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

Remuneration Committee meeting attendance

	From	Attendance
Clare Chapman (Chairman)	16/02/2011	4 of 4
Daniel Bernard	03/06/2009	4 of 4
Andrew Bonfield	17/06/2010	3 of 4
Janis Kong	08/12/2006	4 of 4

Relationship with shareholders

Relations with shareholders

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

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

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

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

Annual General Meeting

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

A summary business presentation is given at the Annual General Meeting before the Chairman deals with the formal business of the meeting. At the Annual General Meeting in June 2013, the Chairman will use his discretion to call for a poll on all resolutions. The results of the poll in relation to all resolutions will be disclosed to those in attendance at the meeting, published on the Company's website and announced to the London Stock Exchange shortly after the conclusion of the Annual General Meeting.

GOVERNANCE
Directors' Remuneration Report

"WE STRONGLY BELIEVE THAT LINKING PAY TO GROUP PERFORMANCE, AND DIALOGUE WITH SHAREHOLDERS ARE FUNDAMENTAL TO THE REMIT OF THE REMUNERATION COMMITTEE."

Clare Chapman
Chairman of the Remuneration Committee

For a PDF of the Directors' Remuneration Report, go to
http://annualreport.kingfisher.com/2012-13

Dear Shareholder

This is my first full year as Chairman of the Remuneration Committee, and I am very pleased to present the Company's 2012/13 Directors' Remuneration Report on behalf of the Board.

Better Homes, Better Lives
Kingfisher's purpose is to make it easier for customers to have better, more sustainable homes. Our short hand for this is "Better Homes, Better Lives". Success in achieving this means delivering value to our shareholders, behaving responsibly in the communities in which the Group operates, making sustainable choices, and creating fulfilling and secure roles for our employees. The Remuneration Committee is committed to structuring remuneration for executives that supports and drives this purpose.

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

During 2012/13 our reported results were affected by adverse currency movements, the particularly poor summer weather in Northern Europe, which dampened customer demand during our peak season, and the economic uncertainty our customers are facing across Europe. It was therefore no surprise that 2012 was difficult for retailers in general. As a consequence, annual bonus payments made to the executive directors for the year will be between 58% and 80% of salary and in the region of 29% and 40% of the maximum opportunity. Performance in the last four years has been extremely strong and reward reflects this. The Sharesave awards, which vested in 2012/13, are a good example of this with over 2,000 employees benefiting from a total estimated gain of around £34 million, giving an average profit per person of around £1,600. The three-year performance period of awards granted in 2010 under the Performance Share Plan ('PSP') ended on 5 May 2013. In respect of the awards granted to executive directors, vesting levels were between 50% and 100% and were linked to performance over the past three years.

The Committee set stretching long-term targets for awards granted under the Performance Share Plan (the 'PSP') in 2011 as part of the Creating the Leader phase of Kingfisher's strategy. This one-off award has created a strong focus on a single performance period, which aligns to the next phase of the Group's strategy. Further details about how this strategy is being reflected in our remuneration structure are provided later in this report.

2013 Remuneration review
During the year under review, there have been no major changes to the Group's remuneration policy. In order to ensure a continued strong alignment between executive directors' and shareholders' interests, the Committee will conduct a full review of the Company's executive remuneration arrangements during 2013. The key focus of this review will be to determine what form of long-term incentive arrangements should replace the current Performance Share Plan when the next awards are due to be made in 2014. The Committee will ensure that it has due regard to developments in market and best practice, and to appropriately link such awards to the Group's strategic objectives. It is also committed to consulting with its major shareholders and key representative bodies as part of this process. No significant changes to remuneration policy are planned for 2013/14.

Remuneration reporting
During the year under review, the Department for Business, Innovation & Skills ('BIS') has continued to develop its proposals to improve the transparency of remuneration reporting, and to give shareholders greater influence over future remuneration policy. The Company believes that linking pay to Group performance, and dialogue with shareholders are fundamental to the remit of the Remuneration Committee. Whilst the final regulations on remuneration reporting have yet to be determined, we believe that the Company already addresses many of the proposals, and where new disclosure would be required, have decided to incorporate many of these within this year's report ahead of the requirement to do so.

I will be available at the AGM in June to answer any questions about the work of the Committee.

At our 2012 AGM, 98% of shareholders voted in favour of our Directors' Remuneration Report, and I very much hope you will support the 2012/13 Directors' Remuneration Report at our forthcoming meeting.

Clare Chapman
Chairman of the Remuneration Committee
25 March 2013

This report has been prepared on behalf of the Board by the Remuneration Committee (the 'Committee'), and has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the 'Regulations') issued under the Companies Act 2006 (the 'Act'), and describes how the Board has applied the principles relating to directors' remuneration set out in the UK Corporate Governance Code, and complied with the Financial Services Authority Listing Rules. Although not yet mandatory, the report also seeks to adopt the key aspects of the reporting obligations proposed by BIS, whilst recognising that the final requirements may not be exactly as we have assumed based on the latest information available to us. Included in this year's report are, based on our understanding of the likely final position, a single figure table detailing the total remuneration for the executive directors and a scenario chart detailing future potential remuneration of executive directors at below threshold, target, and maximum levels of performance. We have also provided a version of the remuneration policy table as prescribed by BIS. The Remuneration Report for 2013/14 will be fully compliant with the final BIS regulations, which will likely require the report to be split into separate policy and implementation reports.

The Remuneration Committee

Role and responsibilities

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

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

The Committee is committed to the principles of accountability and transparency, and to ensuring remuneration arrangements demonstrate a clear link between reward and performance. Remuneration is structured to promote sustainable growth and to avoid excessive and inappropriate risks. Operating under delegated authority from, and reporting to the Board, its activities are governed by terms of reference which can be found on the Company's website. The Committee's terms of reference are reviewed on a regular basis to ensure that they remain fit for purpose, and continue to be in line with market best practice.

Membership

The Committee comprised the following independent non-executive directors during the financial year to 2 February 2013.

Chairman	Clare Chapman
Committee members	Daniel Bernard
	Andrew Bonfield
	Janis Kong

Meetings

The Committee is required by its terms of reference to meet at least twice a year, and maintains a rolling standing schedule of agenda items for the year. An overview of key standing agenda items for the Committee's annual meetings is set out below. During the year, the Committee met four times. Committee meetings were attended by the Group Chief Executive, who provided advice that materially assisted the Committee. In addition, the Group Human Resources Director and the Head of Group Reward attended Committee meetings, and provided material assistance and advice on remuneration policy. The Group Finance Director attended by invitation on matters relating to performance measures. The Company Secretary acted as Secretary to the Committee. No member of the Committee had a personal financial interest (other than as a shareholder), conflict of interest arising from cross-directorships, or day-to-day involvement in running the business, and no person took part in any discussion about his or her own remuneration. Details of individual attendance at Committee meetings are provided within the Corporate Governance Report on page 44.

Following a robust evaluation of the Committee during the year, it was agreed that the Committee continued to operate effectively. Full details of the evaluation process are set out within the Corporate Governance Report on page 37.

Remuneration Committee calendar for 2012/13

Month	Activities	
February 2012	• Vesting of PSP awards • Consideration of bonus design	• Annual bonus awards – provisional results
March 2012	• LTIP performance measures outcome • Approval of bonus targets	• Bonus outturn for the year • Review of 2011/12 Remuneration Report
September 2012	• Remuneration strategy • Ratification of KIS and PSP awards made earlier in the year	• Review of standing agenda schedule • Approval of Sharesave invitation
January 2013	• Annual salary review • Measures for bonuses for forthcoming year	• Review of the performance of the Committee • Review of Chairman's fees

Activities
During 2012/13 the Committee:

- agreed the performance targets for the annual bonus in the financial year and monitored progress against those targets;
- agreed the operation of the long-term incentive plans and policy for executive share scheme awards to new recruits, and promotions, including the level of individual awards, performance conditions, and measurement and validation of the out-turn of prior year awards;
- agreed the award of annual incentives based on the prior year's performance;
- recommended the 2011/12 Directors' Remuneration Report for endorsement by the Board and subsequent approval by shareholders;
- approved the Directors' Shareholding Policy;
- agreed amendment to the pension policy for employees reaching lifetime allowance;
- approved amendments to the rules of the Store Management Incentive Share Scheme ('SMISS'); and
- reviewed the Company's remuneration strategy.

Objectives for 2013:

In addition to its annual agenda for 2013, the Committee has scheduled an additional meeting to:

- review the executive remuneration arrangements; and
- to consider and agree a new long-term incentive plan for the Company.

Advisors
The Committee has authority to obtain the advice of external independent remuneration consultants, and is solely responsible for their appointment, retention and termination. In February 2013, following a robust tender process, the Committee appointed PricewaterhouseCoopers LLP as its principal advisor. During the financial year to 2 February 2013, the following external advisors provided services to the Committee. Unless otherwise stated, the advisors have no other connection with the Group, and the Committee firmly believes that the advice received was, and continues to be, objective and independent:

FIT Remuneration Consultants LLP ('FIT')

FIT provided advice on the ongoing operation of employee and executive share plans, and executive remuneration generally. FIT is a member of the Remuneration Consultants Group (the professional body for executive remuneration consultants) and adheres to its Code of Conduct. FIT provided no other services to the Group during the year.

Allen & Overy LLP ('A&O')

A&O provided legal advice to the Committee on service and employment contracts, and for other employment and remuneration issues. A&O also provides advice to the Group on other legal matters.

Towers Watson

Towers Watson provided benchmarking on the market competitiveness for executives in the UK and overseas. Towers Watson also provided advice to the Group on pensions and related matters.

Remuneration Policy

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

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

- provide executives with a remuneration package that recognises the experience of the individual concerned and the role fulfilled;
- ensure performance-related remuneration constitutes a substantial proportion of the remuneration package;
- encourage a high-performance culture by offering substantial reward only for exceptional performance;
- ensure executive directors' interests are aligned with shareholders' by delivering rewards in shares with compulsory deferral and share ownership guidelines;
- be competitive in the market in which the Group competes;
- be fair and transparent; and
- ensure remuneration arrangements apply consistently throughout the Group.

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

Alignment of Remuneration Framework to Group Strategy

The chart and policy table below summarises how the Group's remuneration framework is aligned to and supports the Creating the Leader strategy:

Creating the Leader – Group Strategy		Creating the Leader – Success Measures	
Easier	1. Making it easier for customers to improve their home 2. Giving our customers more ways to shop	**Easier**	• Like-for-like sales growth • Unique web users
Common	3. Building innovative common brands 4. Driving efficiency and effectiveness everywhere	**Common**	• % of Group sales direct sourced • % of Group sales common • Retail profit margin
Expand	5. Growing our presence in existing markets 6. Expanding in new and developing markets	**Expand**	• Kingfisher Economic Profit (KEP)
One Team	7. Developing leaders and connecting people 8. Sustainability: becoming 'Net Positive'	**One Team**	• Group employee engagement scores • 'Net Positive' sustainability dashboard

Remuneration Policy Table

Remuneration for executive directors for the financial year commencing 3 February 2013 consists of the following elements:

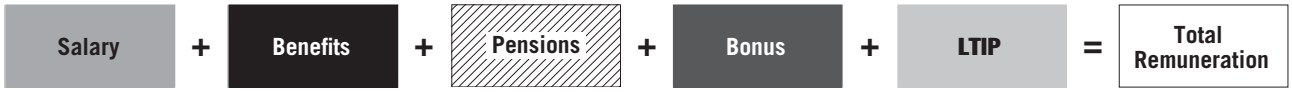
Element and Purpose	Policy and Opportunity	Operation and Performance Metrics
1 Base salary This is the core element of pay that reflects the individual's role, experience and contribution to the Group.	Salaries are reviewed in January each year and are benchmarked against a range of suitable comparator groups, which currently include both the FTSE100 as a whole and FTSE100 retailers as a relevant sub-set. The Committee is also informed of pay levels in other large European retailers. The Committee does not apply a strict mathematical approach to the data, which it considers to be only one relevant input. Instead, the Committee has regard to its overall assessment of what appropriate levels of salary are, having regard to market and economic conditions, affordability, the level of increases awarded to employees generally and the individual's contribution.	Base salaries are paid monthly in cash. The base salaries of executive directors effective from 31 January 2013 are as follows: Ian Cheshire – £832,320 Kevin O'Byrne – £627,000 Philippe Tible – £486,840 Karen Witts – £484,500
2 Pension and benefits To provide competitive retirement benefits. To aid retention and remain competitive within the marketplace.	Executive directors' pension provision is by way of contributions to defined contribution arrangements equivalent to 30% of base salary for the Group CEO and 20% for all other UK-based executive directors. Prior to 1 July 2012, the Group CEO also participated in a Defined Benefit ('DB') arrangement up to the scheme earning cap of £136,200. The Defined Contribution ('DC') arrangement then applied to the excess of his salary. Following the closure of the DB scheme to future accrual the pension arrangement moved solely to the DC arrangement of 30% of the total salary. Philippe Tible participates in a DB arrangement. Entitlement to a pension is conditional on him remaining with the Company until retirement (minimum age of 62).	The Company provides the following benefits: car or car allowance, allowance for financial planning, medical insurance and life assurance cover equal to four times base salary. The cost of benefit elements provided to executive directors is disclosed in the table on page 52.
3 Annual bonus To incentivise executives to achieve/exceed annual financial, strategic and personal objectives set by the Committee at the start of each financial year.	Annual bonus is delivered under the Kingfisher Incentive Share Scheme (KIS). The KIS comprises the 'KIS Cash Scheme' and the 'KIS Share Scheme'. Senior executives may receive a performance-related cash bonus under the KIS Cash Scheme, and a contingent share award under the KIS Share Scheme, in the proportion of 67% payable in cash and 33% in deferred shares. The on-target and maximum bonus payable are 100% and 200% of base salary respectively. The maximum level of bonus payable has remained unchanged since 2006.	For the 2013/14 financial year, the performance KPIs for the annual bonus are split as follows: • PROFIT 30% (year-on-year). • RELATIVE LIKE-FOR-LIKE SALES 30% (with reference to movements in market size to ensure real improvements in market share are being rewarded). • DIRECT SOURCING & PRODUCTIVITY 20%. • PERSONAL OBJECTIVES 20% (Assessed with reference to demonstrating the One Team behaviours).

Policy Table continued

Element and Purpose	Policy and Opportunity	Operation and Performance Metrics
3 Annual bonus continued	The deferred shares have a three-year vesting period and can be subject to forfeiture should the executive leave the Group during the vesting period. Claw-back can apply should the Committee decide the grant of deferred shares was not justified. On vesting, dividend 'roll-up' shares are available on the same basis as described below for the Performance Share Plan.	The profit and sales measures for Kevin O'Byrne and Philippe Tible will be based on the results from their respective divisions.
4 Performance Share Plan ('PSP') To incentivise executives to achieve superior returns for shareholders. Performance conditions are aligned with shareholder interests and the Group's strategic objectives. Retention of executives over the performance period of the awards.	The general policy is for awards to be granted on an annual basis, subject to a three-year vesting period and stretching performance conditions. The maximum annual award is 200% of base salary, or 500% of base salary in exceptional circumstances. Consistent with the Creating the Leader strategy, a one-off award of 500% of salary was made in June 2011. This single award replaced the 200% annual awards which would have taken place in 2011, 2012 and 2013. This creates focus on a single three-year period which matches the Creating the Leader phase and is smaller than the three annual awards would have been. The award vests in two equal tranches in June 2014 and June 2015. Shares delivered on the exercise of an award receive additional dividend 'roll-up' shares calculated on the basis of a notional purchase of shares on each relevant ex-dividend date using that day's closing mid-market price.	Vesting of the awards made in June 2011 is based 50% on EPS and 50% on KEP (a version of economic profit as explained on page 56). The EPS performance condition for the 2011 awards requires EPS at the end of the three-year vesting period to be at least 25.8p for 15% of that part of the award to vest and 31.2p for 100% of that part of the award to vest. The KEP performance condition requires the Group's aggregate KEP over the three-year performance period to be at least £229 million for 15% of that part of the award to vest and £386 million for 100% of that part to vest. Any exchange rate upsides/downsides are removed from the results, since they are deemed to be outside the executive directors' control.
5 Shareholding requirements To ensure alignment of interests of executives and shareholders over the long term.	Executive directors are required to build a significant shareholding in the Company before the fifth anniversary of the date of their appointment. This is a minimum of 200% of base salary by January 2013 for Ian Cheshire, 100% of base salary by October 2013 for Kevin O'Byrne and Philippe Tible; and 100% of base salary by 1 October 2017 for Karen Witts. For Philippe Tible this is an increase from his position of 50% of salary to be met by April 2009, prior to his appointment to the Board.	Performance metrics are not applicable. The net value of vested but unexercised awards held under the PSP count towards this requirement as well as shares held under the KIS Share Scheme which have no additional performance conditions. Ian Cheshire and Kevin O' Byrne have satisfied their shareholding requirements as at the date of this report.
6 Recruitment policy To attract the services of the most appropriate candidate for the job whilst following the principles of the Company's remuneration policy to the extent possible.	It is difficult to be overly prescriptive regarding the appropriate package for an unknown potential recruit. The following is the Committee's agreed policy but it may need to be adapted in the event of recruitment in order to obtain the services of the most appropriate candidate. In principle, the pay of any new recruit would be assessed following the same principles as for the current executive directors. The Committee would be mindful of best practice guidelines in considering whether any enhanced PSP or other award was necessary on recruitment (e.g. to buyout awards forgone from the incoming executive's previous employer) and the appropriateness of performance conditions in order to avoid paying more than it considers necessary to secure the preferred candidate. However, each case will need to be considered on its own facts at the particular time.	As necessary to secure the appropriate candidate. In the case of Karen Witts, who was recruited during 2012/13, she was granted a PSP award linked to our Creating the Leader strategy on a time pro-rated basis according to the remaining proportion of the vesting period. The awards she forfeited on leaving her previous employer were not bought out.
7 Chairman and non-executive director fees To attract and retain a Chairman and non-executive directors of the highest calibre.	The fees paid to the Chairman are determined by the Remuneration Committee, while the fees of the non-executive directors are determined by the Board with affected persons absenting themselves as appropriate. The Chairman's fees are determined by reference to his time commitment and relevant benchmark market data. The Board determines non-executive directors' fees 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 review fees paid to non-executive directors in similar companies and will review fees for non-executive directors in February each year. Details of the Chairman's fees and the fees of non-executive directors' are disclosed on page 58.	Fees are paid monthly. Non-executive directors do not participate in any of the Company's performance related pay programmes. Non-executive directors are not entitled to any compensation for loss of office. The basic fee for non-executive directors effective 1 February 2013 is £61,200. Additional fees are paid as follows: Senior Independent Director – £17,425 Chairman of the Audit Committee – £20,000 Chairman of the Remuneration Committee – £15,000

Estimates of total future potential remuneration from 2013 remuneration packages

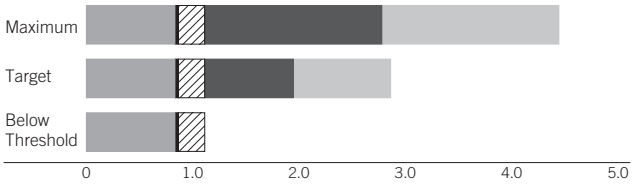
The tables and charts below provide estimates of the potential total future remuneration for each executive director in respect of the remuneration opportunity granted to them in 2013/14. Potential outcomes based on different performance scenarios are provided for each executive director.



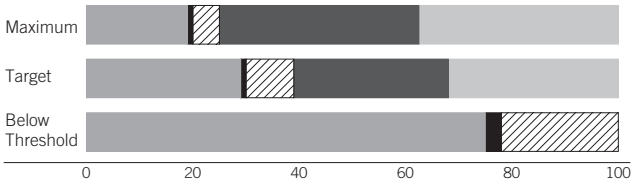
Total Remuneration Performance Charts

Ian Cheshire

Value of package (£m)

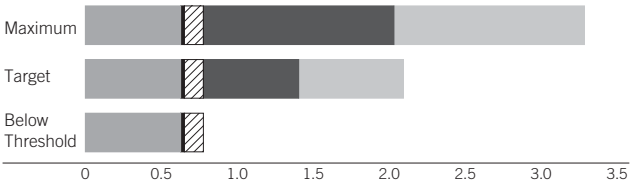


Composition of overall package (%)

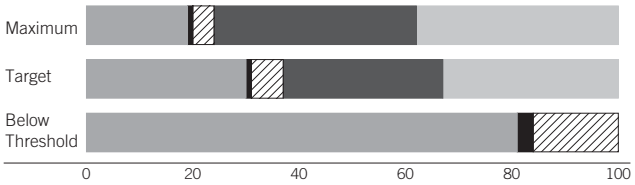


Kevin O'Byrne

Value of package (£m)

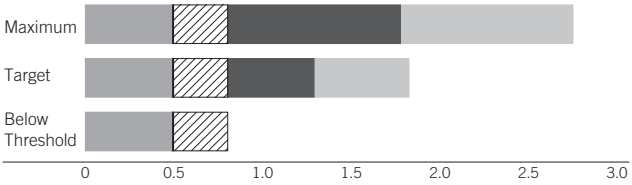


Composition of overall package (%)

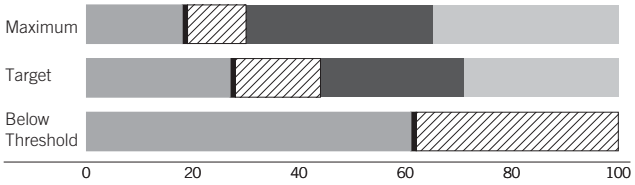


Philippe Tible

Value of package (£m)

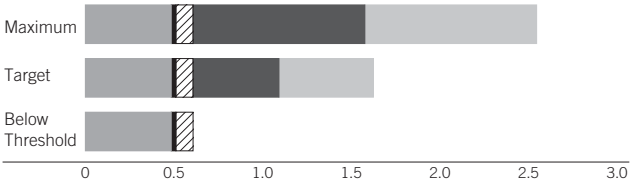


Composition of overall package (%)

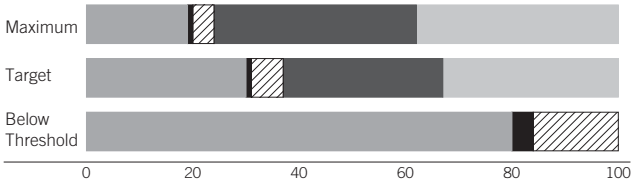


Karen Witts

Value of package (£m)



Composition of overall package (%)

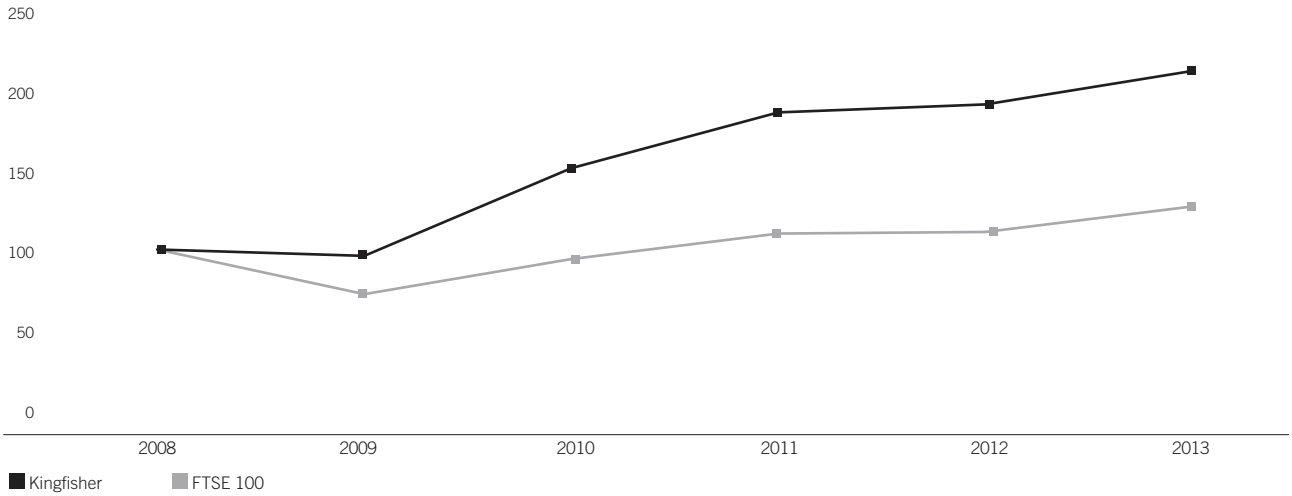


Notes:
Salary: Base salary as at 31 January 2013.
Benefits: Estimate based on benefits received during 2012/2013.
Pension: Based on pension of 30% of salary for Ian Cheshire and of 20% of salary for Kevin O'Byrne. Philippe Tible's pension is based on that for 2012/2013.
Bonus: 2013/2014 target and maximum award levels in accordance with plan rules. Nil payout for below threshold performance. Bonus includes both the cash award and the deferred share element.
LTIP: Estimated value at target and maximum vesting based on proposed 2013/2014 performance measures. Nil payout for below threshold performance.
Share price movement has not been incorporated into the above figures.

Performance scenarios

Below Threshold	On-Target	Maximum
• Only the fixed pay elements (base salary, benefits and pension) of the package are earned. • Minimum performance targets for the KIS and PSP are not achieved.	• Fixed pay elements plus on-target KIS plus on-target PSP vesting. • KIS on-target performance is achieved, resulting in a bonus of 50% of maximum – 100% of base salary. • For the PSP, the on-target vesting level is 55% of maximum – 110% of base salary.	• Fixed pay elements plus maximum KIS plus maximum PSP award vesting. • KIS maximum is 200% of base salary. • PSP maximum is 200% of base salary on a normal annual grant.

Total Shareholder Returns



The above graph shows Kingfisher's total shareholder return ('TSR') for the five years to 2 February 2013, which assumes that £100 was invested in Kingfisher on 2 February 2008. The Company chose the FTSE100 Index as an appropriate comparator for this graph as Kingfisher has been a constituent of that index throughout the period.

Source: Thomson Reuters.

Executive Directors' Appointments, Terms & Remuneration

Executive directors' service contracts

Provision	Policy
Contract dates	Ian Cheshire: 28 January 2008 Kevin O'Byrne: 1 October 2008 Philippe Tible: 1 October 2012 Karen Witts: 1 October 2012
Notice period	12 months' notice by either the director or the Company.
Termination payment	Ian Cheshire: On a phased basis at a monthly rate of 15% of annual salary(1). For a maximum of 12 months from the termination date. Kevin O'Byrne: On a phased basis at a monthly rate of 12% of annual salary(1). For a maximum of 12 months from the termination date. Philippe Tible: Termination terms are determined by the convention collective which applies to all French employees. A termination payment would be made up of two parts: (i) the dismissal indemnity which is 3% of annual remuneration per year of service and (ii) a payment for any unpaid notice which would be a maximum of three months' remuneration. The combination cost based on years of service to date is in the region of one times salary. Remuneration consists of base pay, car benefit and cash bonus award. Karen Witts: On a phased basis at a monthly rate of 8.3% of annual salary. For a maximum of 12 months from the termination date.
Mitigation	For UK-based executive directors, lower amounts are payable if the director commences lower-paid employment during the 12-month period following cessation of employment, and payments cease immediately when employment providing the same or higher value remuneration is started.
Remuneration	As described in this report.
Other benefits	Car or car allowance and allowance for financial planning.
Non-cash benefits	The Company provides a range of additional benefits, including medical insurance, life assurance cover equal to four times base salary, a subsidised staff canteen, a staff discount card and 30 working days' holiday per year.
Expenses	Reimbursement of reasonably incurred costs in accordance with their duties.
Non-compete	During employment and for 12 months after leaving. In respect of Philippe Tible, an amount equal to 50% of annual salary and car benefit must be paid to him on a monthly basis following his termination of employment by the Company. This amount is standard under French law in order to ensure that the non-compete provision is enforceable.

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

Executive Directors' Remuneration

The remuneration of the executive directors for the 2012/13 financial year is set out in the table below:

£'000	Salary	Pension	Other benefits	Bonus (KIS)(4)	Actual remuneration for 2012/13	Actual remuneration for 2011/12(2)	PSP(7)	Total remuneration for 2012/13
Ian Cheshire	816.0	253.1	30.8	502.7	1,611.5(1)	2,616.0	1,011.4	2,622.9
Kevin O'Byrne	600.0	117.9	24.9	345.6	1,088.4	1,869.4	727.0	1,815.4
Euan Sutherland(5)	600.0	120.0	24.6	–	744.6	1,729.0	–	744.6
Philippe Tible(5),(6)	436.1	306.0	11.2	346.8	1,100.1	1,554.3	753.9	1,854.0
Karen Witts(3)	158.3	31.7	8.7	97.5	296.2	–	–	296.2

In additional to the Schedule 8 requirements, the table presents a total single figure and break down for the year per the proposed BIS regulations.

(1) Includes £8,888, the net equivalent gain following the exercise of 91,350 phantom options awarded in April 2002.

(2) The comparative figure for 2011/12 has been restated to include employer contributions into director's pension arrangements.

(3) Karen Witts joined the Group on 1 October 2012.

(4) One third of the bonus awarded will be deferred into Kingfisher shares under the KIS Share Scheme and accordingly will be available to vest in April 2016.

(5) Euan Sutherland and Philippe Tible joined the Board on 1 October 2012. The table contains their total remuneration for the entire financial year rather than from the date they joined the Board.

(6) Philippe Tible's remuneration is paid in Euros and is converted to Sterling for the purpose of the table at the average exchange rate over the course of the relevant year.

(7) The 2010 PSP vested post year-end on 5 May 2013 and was based on 50% EPS and 50% on relative TSR performance for Ian Cheshire and Kevin O'Byrne, and divisional Retail Operating Profit for Philippe Tible. The out-turn of the EPS and Divisional Retail Operating Profit elements of the award was 100% of maximum based on strong Group performance over the three-year performance period. The TSR performance out-turn fell just below the median of the FTSE 100 comparator group and so failed to meet the threshold of median +1%. Accordingly, the vesting levels for the 2010 PSP award were 50% of award for Ian Cheshire and Kevin O'Byrne, and 100% for Philippe Tible. The award granted to Euan Sutherland will lapse in full following his departure from the Group on 31 March 2013.

Outcome for the 2012/13 Annual Bonus Scheme

The executive directors' targets for the 2012/13 bonus were based on both corporate and individual objectives as set out below.

Measure	Like-for-Like sales	Group operating profit after tax	KPI	Personal performance
Weighting at maximum bonus	30%	30%	20%	20%

The KPI measure was Group sourcing achievement.

The outcomes achieved against each measure are summarised below.

	Ian Cheshire	Karen Witts[1]	Kevin O'Byrne[2]	Philippe Tible[2]
Measure	% of maximum potential bonus target	% of maximum potential bonus target	% of maximum potential bonus target	% of maximum potential bonus target
Profit/like-for-like sales objectives	0	0	0	15
KPI / Personal Performance	77	77	72	77
Total	31	31	29	40

(1) The bonus earned by Karen Witts was pro-rated from her date of joining the Group on 1 October 2012.

(2) The bonuses earned by Kevin O'Byrne and Philippe Tible were based upon performance of their Divisions.

Euan Sutherland forfeited rights to a bonus following his resignation.

Further details of the awards under the KIS Cash Scheme and KIS Share Scheme reflecting these outcomes for 2012/13 are set out on page 55.

Directors' pension benefits

Up until 30 June 2012, Ian Cheshire had an entitlement to part of his pension benefits through the Kingfisher defined benefit pension scheme, which closed to future accrual of benefits on 30 June 2012 (subject to the scheme cap of £136,200 (2011/12: £129,600)) and part through a defined contribution scheme, for which the Company contribution is 30% of base salary. From 1 July 2012 onwards his pension benefit was delivered solely through the Defined Contribution arrangement.

Kevin O'Byrne, Euan Sutherland and Karen Witts have an entitlement to a defined contribution pension, with a Company contribution of 20% of base salary.

The Company operates a policy to limit pension contributions during the tax year up to the Annual Allowance, with the excess being directed into a taxable monthly cash payment. Following pension and tax legislation changes effective 6 April 2012 on the reduction of lifetime allowance from £1.8m to £1.5m, the Company has offered a fully taxable cash alternative, at no additional cost to the Company, to directors wishing to exit the Defined Contribution scheme completely.

Kevin O'Byrne chose to leave the pension scheme on 5 April 2012 and opted to receive the Company pension contribution as a taxable monthly cash supplement in full.

Philippe Tible is a member of a separate Group defined benefit pension scheme, for which eligibility requires him to retire with the Kingfisher Group. There is therefore no concept of a deferred pension and if Philippe Tible left the Company for reasons other than retirement, none of the pension rights built up would actually crystallise. The figures in the table below are based on a crystallised pension and have not been discounted in any way for the risk of forfeiture.

The following table shows details required under both Schedule 8 to the Regulations under the Act and the Listing Rules as they apply to Kingfisher for the year ended 2 February 2013. In respect of the Act, the details shown represent for the defined benefit section:

- accrued pension benefits at the relevant dates;
- the increase in the amount of accrued pension during this year;
- the transfer value amounts as at 28 January 2012 and 2 February 2013; and
- the increase in transfer value between those dates, net of member contributions paid.

			Accrued pension			Transfer value			
	Age	Years in service	Increase in accrued pension £'000 pa	2012/13 £'000 pa	2011/12 £'000 pa	Increase in transfer value £'000 (net of director's contribution)	2012/13 £'000	2011/12 £'000	Increase in[3] accrued pension £'000 pa (net of inflation)
Ian Cheshire[1],[2]	53	14	2	33	32	72	596	519	0
Philippe Tible	61	9	26	152	126	537	2,810	2,272	24

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

(1) Accrued pensions and transfer values include employer contributions (by way of bonus surrender) made in March 2004 of £15,000.

(2) Ian Cheshire's pension benefit under the defined benefits scheme is based on a salary cap of £136,200 for the part year to 30 June 2012, when the scheme was closed to future accrual.

(3) Addition information given to comply with the requirements of the listing rules.

The following table shows the employer contributions made to the defined contribution scheme, or cash alternative in relation to service during the financial year to 2 February 2013:

	Employer contributions to defined contribution pension scheme		Cash alternative[1]		Total
£'000	2012/13	2011/12	2012/13	2011/12	2012/13
Ian Cheshire	7.4	49.4	230.7[2]	156.8	238.1
Kevin O'Byrne	3.3	36.7	114.6	83.3	117.9
Euan Sutherland	9.5	21.7	110.5	83.3	120.0
Karen Witts	–	n/a	31.7	n/a	31.7

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

(2) The payment to Mr Cheshire includes a goodwill payment received following the closure of the Kingfisher defined benefit scheme and his transfer to the Kingfisher defined contribution scheme. This payment was offered to all employees on the same terms.

Long-Term Incentive Plans

KIS Share Scheme

Awards of contingent shares, in respect of the financial year ended 2 February 2013, were made post year-end in April 2013 (to vest in April 2016), to Ian Cheshire, Kevin O'Byrne, Philippe Tible and Karen Witts under the KIS Share Scheme to the value of £167,552, £115,200, £115,603 and £32,511, respectively. As the awards will be made after publication of the accounts for the financial year ended 2 February 2013, the detail will be disclosed in next year's Directors' Remuneration Report.

Once the contingent share awards are made in respect of the bonus earned, the only qualifying condition for the award normally to vest is to be in the employment of the Company at the vesting date.

			Number of ordinary shares							
Name	Date of grant	Market value of shares at date of grant (p)	At start of year	Awarded in year	Dividend roll-up shares awarded during year[1]	Exercised in year	Lapsed in[5] year	At end of year	Vesting date	Lapse date
Ian Cheshire	21/04/2009	164.63	263,698	–	5,784	269,482[2]	–	–	21/04/2012	21/04/2016
	06/04/2010	216.81	260,971	–	8,808	–	–	269,779	06/04/2013	06/04/2017
	06/05/2011	279.60	156,578	–	5,284	–	–	161,862	06/05/2014	06/05/2018
	06/05/2011[3]	279.60	11,029	–	371	–	–	11,400	06/05/2014	06/05/2018
	25/04/2012	298.33	–	170,495	5,753	–	–	176,248	25/04/2015	25/04/2019
Total			**692,276**	**170,495**	**26,000**	**269,482**	**–**	**619,289**		
Kevin O'Byrne	21/04/2009	164.63	67,378	–	1,477	68,855[4]	–	–	21/04/2012	21/04/2016
	06/04/2010	216.81	187,573	–	6,330	–	–	193,903	06/04/2013	06/04/2017
	06/05/2011	279.60	112,211	–	3,787	–	–	115,998	06/05/2014	06/05/2018
	06/05/2011[3]	279.60	11,029	–	371	–	–	11,400	06/05/2014	06/05/2018
	25/04/2012	298.33	–	125,364	4,230	–	–	129,594	25/04/2015	25/04/2019
Total			**378,191**	**125,364**	**16,195**	**68,855**	**–**	**450,895**		
Euan Sutherland[5]	21/04/2009	164.63	99,782	–	2,188	101,970[4]	–	–	21/04/2012	21/04/2016
	06/04/2010	216.81	163,601	–	5,521	–	169,122	–	06/04/2013	06/04/2017
	06/05/2011	279.60	91,524	–	3,088	–	94,612	–	06/05/2014	06/05/2018
	06/05/2011[3]	279.60	11,029	–	371	–	11,400	–	06/05/2014	06/05/2018
	25/04/2012	298.33	–	111,688	3,770	–	115,458	–	25/04/2015	25/04/2019
Total			**365,936**	**111,688**	**14,938**	**101,970**	**390,592**	**–**		
Philippe Tible	21/04/2009	164.63	170,241	–	3,734	173,975[4]	–	–	21/04/2012	21/04/2016
	06/04/2010	216.81	125,558	–	4,237	–	–	129,795	06/04/2013	06/04/2017
	06/05/2011	279.60	106,360	–	3,589	–	–	109,949	06/05/2014	06/05/2018
	25/04/2012	298.33	–	85,498	2,885	–	–	88,383	25/04/2015	25/04/2019
Total			**402,159**	**85,498**	**14,445**	**173,975**	**–**	**328,127**		

(1) The price used to calculate the number of dividend roll-up shares was 290.4p per share, being the market price on 2 May 2012, and 267.2p per share, being the market price on 10 October 2012.

(2) The market value of Kingfisher shares on the date of exercise (2 July 2012) was 288.4p per share.

(3) The KIS Share Awards granted over 10,917 shares on 6 May 2011 underpin options granted under the CSOP, further details of which can be found in the section entitled 'Company Share Option Plan'.

(4) The market value of Kingfisher shares on the date of exercise (1 June 2012) was 273.4p per share.

(5) All awards held by Euan Sutherland under the Scheme lapsed on his resignation on 19 December 2012.

Company Share Option Plan ('CSOP')

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

		Number of ordinary shares							
Name	Date of grant	At start of year	Granted during year	Exercised during year	Lapsed during the year	At end of year	Option price (p)[1]	Vesting date	Lapse date
Ian Cheshire	06/05/2011	10,917	–	–	–	10,917	274.8	06/05/2014	06/11/2014
Kevin O'Byrne	06/05/2011	10,917	–	–	–	10,917	274.8	06/05/2014	06/11/2014
Euan Sutherland	06/05/2011	10,917	–	–	10,917[2]	–	274.8	06/05/2014	06/11/2014

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

(2) The award lapsed on Euan Sutherland's resignation on 19 December 2012.

Performance Share Plan ('PSP')

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

Shares delivered on the vesting of an award receive additional dividend 'roll-up' shares calculated on the basis of a notional purchase of shares on each relevant ex-dividend date using that day's closing mid-market price. Shares used to satisfy awards under the PSP are normally purchased in the market by the Kingfisher Employee Benefit Trust.

			Number of ordinary shares								
Name	Date of grant	Market value of shares at date of grant (p)	At start of year	Awarded in year	Dividend roll-up shares awarded during year[1]	Exercised during year	Shares lapsed during the year	At end of year	Vesting period		Lapse date
Ian Cheshire	21/04/2009[3]	164.63	1,052,697	–	26,294	725,000[2]	25,265	328,726	21/04/2012		21/04/2016
	05/05/2010[5]	246.02	698,914	–	23,589	–	–	722,503	05/05/2013		05/05/2017
	17/06/2011[6]	264.60	1,517,585	–	51,222	–	–	1,568,807	17/06/2014	17/06/2015	17/06/2018
Total			**3,269,196**	**–**	**101,105**	**725,000**	**25,265**	**2,620,036**			
Kevin O'Byrne	01/10/2008[4]	126.60	721,503	–	24,353	–	–	745,856	01/10/2011		01/10/2015
	01/10/2008[4]	126.60	721,503	–	24,353	–	–	745,856	01/02/2012		01/10/2015
	21/04/2009[3]	164.63	756,624	–	17,048	681,145[7]	18,159	74,368	21/04/2012		21/04/2016
	05/05/2010[5]	246.02	502,343	–	16,955	–	–	519,298	05/05/2013		05/05/2017
	17/06/2011[6]	264.60	1,115,871	–	37,662	–	–	1,153,533	17/06/2014	17/06/2015	17/06/2018
Total			**3,817,844**		**120,371**	**681,145**	**18,159**	**3,238,911**			
Euan Sutherland	24/07/2008[4]	112.87	1,460,832	–	32,560	1,493,392[8]	–	–	24/07/2012		24/07/2015
	21/04/2009[4]	164.63	493,450	–	10,823	504,273[7]	–	–	21/04/2012		21/04/2016
	05/05/2010[5]	246.02	327,614	–	11,057		–	338,671[10]	05/05/2013		05/05/2017
	17/06/2011[6]	264.60	1,115,872	–	37,662	–	–	1,153,534[10]	17/06/2014	17/06/2015	17/06/2018
Total			**3,397,768**	**–**	**92,102**	**1,997,665**		**1,492,205**			
Philippe Tible	21/04/2008[4]	126.63	936,778	–	20,548	957,326[7]	–	–	21/04/2012		21/04/2015
	21/04/2009[4]	164.63	394,898	–	8,662	403,560[7]	–	–	21/04/2012		21/04/2016
	05/05/2010[5]	246.02	260,473	–	8,791	–	–	269,264	05/05/2013		05/05/2017
	17/06/2011[6]	264.60	611,984	–	20,656	–	–	632,640	17/06/2014	17/06/2015	17/06/2018
	03/05/2012[9]	290.16	–	245,722	2,840	–	–	248,562	17/06/2014	17/06/2015	17/06/2018
Total			**2,204,133**	**245,722**	**61,497**	**1,360,886**		**1,150,466**			
Karen Witts	16/10/2012[11]	271.37	–	498,857	–	–	–	498,857	17/06/2014	17/06/2015	17/06/2018
Total			–	**498,857**	–	–		**498,857**			

(1) The price used to calculate the dividend roll-up shares was 290.4p per share, being the market price on 2 May 2012, and 267.2p per share, being the market price on 10 October 2012.

(2) The market value of Kingfisher shares on the date of exercise (2 July 2012) was 288.4p per share.

(3) Following the calculation of the achievement of the performance conditions attaching to the award, 97.6% of the award became exercisable.

(4) Following the calculation of the achievement of the performance conditions attaching to the award, 100% of the award became exercisable.

(5) Vesting of the awards is based 50% on EPS and 50% on TSR conditions. The EPS condition required EPS at the end of the three-year performance period to be at least 20p for 15.625% of that part to vest and 23p for vesting in full of that part of the award. The TSR condition requires the Group's TSR to be at least median plus 1% for 15.625% to vest and upper quintile plus 1% for it all to vest. In both cases, intermediate performance vests on a sliding scale basis. Philippe Tible's award was based on the retail operating profit for his division the targets for which are aligned with the Group EPS targets. The results which were confirmed after the year-end are shown in the Executive Directors' Remuneration table.

(6) Vesting of the awards is based 50% on EPS and 50% on Kingfisher Economic Profit ('KEP'). The EPS condition requires EPS at the end of the three-year performance period to be at least 25.8p for 15% of that part to vest and 31.2p for vesting in full of that part of the award. The KEP condition required the aggregate KEP over the three-year performance period to be at least £229 million for 15% of that part to vest and £386 million for vesting in full of that part of the award. KEP is defined as the (Group post-tax retail profit less central costs, excluding exceptional items and property lease costs) – (two point average of Group capital employed, including capitalised property leases and adjusted for pensions, multiplied by the Group's lease adjusted WACC). 50% of the vested shares will be released to participants in 2014 with the remaining 50% of the shares released in 2015. Philippe Tible's award is based on these 50% Group measures and 50% on divisional retail operating profit and KEP measures which are aligned to the Group targets.

(7) The market value of Kingfisher shares on the date of exercise (1 June 2012) was 273.4p per share.

(8) Euan Sutherland exercised the award in two tranches. The market value of Kingfisher shares on the dates of exercise (24 July 2012 and 8 January 2013) were 253.9p and 286.9p per share respectively.

(9) The additional award was made to Philippe Tible in recognition of the expansion of his role to bring him into line with other members of the Group executive who received an award of 500% of salary compared to the original award Philippe received of 375% of salary. Vesting of the award will be dependent on the same performance criteria as the award made on 17 June 2011.

(10) The awards held by Euan Sutherland will lapse following his departure from the Company on 31 March 2013.

(11) Karen Witts received an award under the PSP 2011 based on 285% of base salary. This was a time pro-rated award equivalent to the 500% award the other executive directors received based on her joining date of 1 October 2012, partway through the vesting period.

Award of Matching Shares to Ian Cheshire

As part of the terms of his appointment as Group Chief Executive in 2008, a one-off award was made to Ian Cheshire pursuant to Listing Rule 9.4.2. Ian Cheshire purchased 266,667 shares in the Company and in turn received a Matching Award of 200% of base salary (broadly a 4:1 match). The vesting of the Matching Award was subject to performance conditions relating to growth in EPS over the vesting period. The Matching Award vested in full shortly after the 2011/12 financial year end as EPS over the performance period exceeded the target for the maximum vesting of 19.6p.

			Number of ordinary shares				
Name	Date of grant	Market value of shares at date of grant	At start of year	Dividend roll-up shares awarded during year[1]	At end of year	Vesting date	Lapse date
Ian Cheshire	01/02/2008	143.6p	1,257,444	42,442	1,299,886	01/02/2012	01/02/2015

(1) The price used to calculate the dividend roll-up shares was 290.4p, being the market price on 2 May 2012, and 267.2p being the market price on 5 October 2012.

Sharesave Scheme

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

		Number of ordinary shares						
Name	Date of grant	At start of year	Granted during year	Exercised during year	At end of year	Option price (p)	Date from which exercisable	Lapse date
Ian Cheshire	26/10/2011	4,522	–	–	4,522	199.0	01/12/2014	01/06/2015
Total		**4,522**	**–**	**–**	**4,522**			
Kevin O'Byrne	03/11/2009	5,263	–	5,263[1]	–	172.4	01/12/2012	01/06/2013
	22/10/2012	–	4,147	–	4,147	217.0	01/12/2015	01/06/2016
Total		**5,263**	**4,147**	**5,263**	**4,147**			
Euan Sutherland[2]	03/11/2009	5,263	–	5,263[1]	–	172.4	01/12/2012	01/06/2013
	22/10/2012	–	4,147	–	4,147	217.0	01/12/2015	01/06/2016
Total		**5,263**	**4,147**	**5,263**	**4,147**			

(1) The market value of Kingfisher shares on the date of exercise (3 December 2012) was 276p per share.

(2) The option held by Euan Sutherland will lapse in full following his departure from the Company on 31 March 2013.

Closed incentive plans

Executive share options

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

		Number of ordinary shares					
	Date of grant	At start of year	Exercised during year	At end of year	Option price (p)	Date from which exercisable	Lapse date
Ian Cheshire	09/04/2002	91,350[2]	91,350[1]	–	290.08	09/04/2005	09/04/2012
	08/10/2002	164,144	164,144[3]	–	194.95	08/10/2005	08/10/2012
	17/04/2003	134,538	–	134,538	237.85	17/04/2006	17/04/2013
Total		**390,032**	**255,494**	**134,538**			
Philippe Tible	17/04/2003	52,105	–	52,105	237.85	17/04/2006	17/04/2013
Total		**52,105**	**–**	**52,105**			

(1) The market value of Kingfisher shares on the date of exercise (26 March 2012) was 312.3p per share.

(2) A phantom option over 91,350 shares was granted to Ian Cheshire in addition to this option at the same option price, with the same performance conditions and over the same maturity periods. On exercise, a net equivalent cash gain of £8,888 was paid as remuneration at that time and is disclosed in the directors total remuneration table on page 52.

(3) The market value of Kingfisher shares on the date of exercise (24 September 2012) was 269.6p per share.

Dilution limits
Kingfisher's share plans contain limits that set out the quantum of newly issued shares that may be used to satisfy awards granted under those plans. These limits are in line with the current Association of British Insurers ('ABI') guidance on headroom limits which provide that overall dilution under all plans should not exceed 10% over a ten-year period in relation to the Company's issued share capital, with a further limitation of 5% in any ten-year period on executive plans. The Company has always operated within these limits.

Outside appointments for Executive Directors
Subject to the rules governing conflicts of interest, the Company encourages its executive directors to hold non-executive roles outside the Group as it recognises that such roles can broaden their experience and knowledge, which can be of benefit to the Group. Subject to the Committee's agreement, any fees may be retained by the individual. Kevin O'Byrne is a non-executive director, Senior Independent Director and Chairman of the Audit Committee of Land Securities Group plc, and is paid £60,000, £10,000 and £17,500 respectively for fulfilling these roles and retains these fees.

Ian Cheshire is a non-executive director and Chairman of the Remuneration Committee of Whitbread plc, and is paid £55,000 and £15,000 respectively for fulfilling these roles and retains these fees. In January 2011, Ian Cheshire was invited to act as the lead non-executive member of the Department for Work and Pensions Board. He waives his fee for this role.

Euan Sutherland is a non-executive director of the Co-operative Food board and became a director of SuperGroup plc on 1 December 2012. He is paid £51,950 and £50,000 per annum respectively for fulfilling these roles and retains these fees.

Chairman and Non-Executive Directors' Terms and Fees

Chairman
Daniel Bernard was appointed Chairman on 3 June 2009, for an initial fixed three-year term, which was extended for an additional three-year term on 14 June 2012 and will continue until June 2015, unless terminated earlier in accordance with the Company's Articles of Association, or by either party giving the other not less than six months' prior written notice. His appointment is documented in a letter of appointment and he is required to devote no fewer than two to three days a week to his duties as Chairman. His appointment as Chairman will automatically terminate if he ceases to be a director of the Company. His fee, determined by reference to his time commitment and relevant benchmark data, was set at €485,000 per annum with effect from February 2012 and increased in line with salary increases to employees generally to €494,700 with effect from February 2013. The Chairman's fee is paid to a service company, Provestis, which also receives a monthly contribution of €5,150 towards the cost of running the Chairman's office in Paris. The Chairman's remuneration is reviewed by the Remuneration Committee on an annual basis.

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

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

The Board determines the fees paid to non-executive directors under a policy which seeks to recognise the time commitment, responsibility and technical skills required to make a valuable contribution to an effective Board. The Board will also review information on fees paid to non-executive directors in similar companies. Non-executive director's fees were reviewed by the Board in January 2013 and the basic fee for a non-executive director was increased by 2% to £61,200 with effect from February 2013. Future annual reviews of fees for non-executive directors will be conducted in January each year.

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

Non-executive remuneration

Current Directors	Date of appointment	Expiry of current term	Total length of service at 2 February 2013	Fee 2012/13 £'000	Fee 2011/12 £'000
Daniel Bernard[1]	24/05/2006	30/06/2015	6 years 8 months	393.5	399.9
Andrew Bonfield	11/02/2010	15/12/2015	2 years 11 months	80.0	73.8
Pascal Cagni	17/11/2010	16/11/2013	2 years 2 months	60.0	56.4
Clare Chapman	02/12/2010	01/12/2013	2 years 1 month	75.0	32.3
Anders Dahlvig	16/12/2009	15/12/2015	3 years 1 month	60.0	56.4
Janis Kong	08/12/2006	06/12/2015	6 years 1 month	60.0	56.4
Mark Seligman	01/01/2012	31/12/2014	1 year 1 month	77.4	6.1
Total Remuneration				**805.9**	**681.3**

(1) Daniel Bernard's fee is paid in Euros, and the fee is converted to Sterling for the purpose of this table at the average exchange rate over the course of the relevant year.

Directors' interests

The beneficial interests of the directors who held office at 2 February 2013 in the ordinary shares of Kingfisher plc are shown below:

	Ordinary shares 2 February 2013	Ordinary shares 28 January 2012
Daniel Bernard	120,766	113,629
Andrew Bonfield	10,000	10,000
Pascal Cagni	30,000	–
Clare Chapman	6,990	–
Ian Cheshire	1,147,527	1,126,423
Anders Dahlvig	75,000	75,000
Janis Kong	24,000	24,000
Kevin O'Byrne	141,431	136,168
Mark Seligman	15,000	–
Philippe Tible	104,968	–
Karen Witts	58,186	–

As potential beneficiaries under the Kingfisher Employee Benefit Trust (the 'Trust'), Ian Cheshire, Kevin O'Byrne, Philippe Tible and Karen Witts are deemed to have an interest in the Company's ordinary shares held by the Trust. The Trust held 20.7 million ordinary shares at 2 February 2013.

There have been no further changes in the above interests between 2 February 2013 and 25 March 2013.

There are no other non-beneficial interests.

In the independent auditor's report on page 99, Deloitte LLP refers to the parts of the Directors' Remuneration Report that are subject to audit. These comprise the following sections in this report: the disclosures under headings 'Executive directors' remuneration', 'Directors' pension benefits', 'KIS Share Scheme', 'Company Share Option Plan', 'Performance Share Plan', 'Award of Matching Shares to Ian Cheshire', 'Sharesave Scheme', 'Closed incentive plans', 'Non-executive remuneration' and 'Directors' interests' on pages 52 to 59.

For and on behalf of the Committee

Clare Chapman
Chairman of the Remuneration Committee
25 March 2013

Consolidated income statement

Year ended 2 February 2013

£ millions	Notes	2012/13 Before exceptional items	2012/13 Exceptional items (note 5)	2012/13 Total	2011/12 Before exceptional items	2011/12 Exceptional items (note 5)	2011/12 Total
Continuing operations:							
Sales	4	**10,573**	**–**	**10,573**	10,831	–	10,831
Cost of sales		**(6,618)**	**–**	**(6,618)**	(6,748)	–	(6,748)
Gross profit		**3,955**	**–**	**3,955**	4,083	–	4,083
Selling and distribution expenses		**(2,766)**	**(17)**	**(2,783)**	(2,769)	(9)	(2,778)
Administrative expenses		**(524)**	**(9)**	**(533)**	(560)	–	(560)
Other income		**36**	**–**	**36**	33	(3)	30
Share of post-tax results of joint ventures and associates	17	**20**	**–**	**20**	32	–	32
Operating profit		**721**	**(26)**	**695**	819	(12)	807
Analysed as:							
Retail profit	4	**781**	**(26)**	**755**	882	(12)	870
Central costs		**(42)**	**–**	**(42)**	(43)	–	(43)
Share of interest and tax of joint ventures and associates		**(18)**	**–**	**(18)**	(20)	–	(20)
Finance costs		**(19)**	**–**	**(19)**	(31)	–	(31)
Finance income		**15**	**–**	**15**	21	–	21
Net finance costs	6	**(4)**	**–**	**(4)**	(10)	–	(10)
Profit before taxation	7	**717**	**(26)**	**691**	809	(12)	797
Income tax expense	9	**(128)**	**1**	**(127)**	(165)	7	(158)
Profit for the year		**589**	**(25)**	**564**	644	(5)	639
Attributable to:							
Equity shareholders of the Company				**564**			640
Non-controlling interests				**–**			(1)
				564			639
Earnings per share	10						
Basic				**24.1p**			27.5p
Diluted				**23.8p**			26.9p
Adjusted basic				**22.3p**			25.1p
Adjusted diluted				**22.0p**			24.6p

The proposed final dividend for the year ended 2 February 2013, subject to approval by shareholders at the Annual General Meeting, is 6.37p per share.

ACCOUNTS

Consolidated statement of comprehensive income

Year ended 2 February 2013

£ millions	Notes	2012/13	2011/12
Profit for the year		**564**	639
Actuarial (losses)/gains on post employment benefits	27	**(29)**	20
Currency translation differences			
Group		**122**	(128)
Joint ventures and associates		**8**	(10)
Cash flow hedges			
Fair value (losses)/gains		**(14)**	10
(Gains)/losses transferred to inventories		**(8)**	8
Tax on other comprehensive income		**(14)**	(9)
Other comprehensive income for the year		**65**	(109)
Total comprehensive income for the year		**629**	530
Attributable to:			
Equity shareholders of the Company		**629**	530
Non-controlling interests		**–**	–
		629	530

Consolidated statement of changes in equity

Year ended 2 February 2013

£ millions	Notes	Attributable to equity shareholders of the Company							
		Share capital	Share premium	Own shares held	Retained earnings	Other reserves (note 29)	Total	Non-controlling interests	Total equity
At 29 January 2012		**372**	**2,199**	**(134)**	**2,869**	**413**	**5,719**	**8**	**5,727**
Profit for the year		**–**	**–**	**–**	**564**	**–**	**564**	**–**	**564**
Actuarial losses on post employment benefits	27	**–**	**–**	**–**	**(29)**	**–**	**(29)**	**–**	**(29)**
Currency translation differences									
Group		**–**	**–**	**–**	**–**	**122**	**122**	**–**	**122**
Joint ventures and associates		**–**	**–**	**–**	**–**	**8**	**8**	**–**	**8**
Cash flow hedges									
Fair value losses		**–**	**–**	**–**	**–**	**(14)**	**(14)**	**–**	**(14)**
Gains transferred to inventories		**–**	**–**	**–**	**–**	**(8)**	**(8)**	**–**	**(8)**
Tax on other comprehensive income		**–**	**–**	**–**	**(18)**	**4**	**(14)**	**–**	**(14)**
Other comprehensive income for the year		**–**	**–**	**–**	**(47)**	**112**	**65**	**–**	**65**
Total comprehensive income for the year		**–**	**–**	**–**	**517**	**112**	**629**	**–**	**629**
Share-based compensation		**–**	**–**	**–**	**9**	**–**	**9**	**–**	**9**
New shares issued under share schemes		**1**	**5**	**–**	**–**	**–**	**6**	**–**	**6**
Own shares issued under share schemes		**–**	**–**	**74**	**(68)**	**–**	**6**	**–**	**6**
Dividends		**–**	**–**	**–**	**(221)**	**–**	**(221)**	**–**	**(221)**
At 2 February 2013		**373**	**2,204**	**(60)**	**3,106**	**525**	**6,148**	**8**	**6,156**
At 30 January 2011		371	2,194	(42)	2,390	539	5,452	8	5,460
Profit for the year		–	–	–	640	–	640	(1)	639
Actuarial gains on post employment benefits	27	–	–	–	20	–	20	–	20
Currency translation differences									
Group		–	–	–	–	(129)	(129)	1	(128)
Joint ventures and associates		–	–	–	–	(10)	(10)	–	(10)
Cash flow hedges									
Fair value gains		–	–	–	–	10	10	–	10
Losses transferred to inventories		–	–	–	–	8	8	–	8
Tax on other comprehensive income		–	–	–	(4)	(5)	(9)	–	(9)
Other comprehensive income for the year		–	–	–	16	(126)	(110)	1	(109)
Total comprehensive income for the year		–	–	–	656	(126)	530	–	530
Share-based compensation		–	–	–	32	–	32	–	32
New shares issued under share schemes		1	5	–	–	–	6	–	6
Own shares issued under share schemes		–	–	25	(23)	–	2	–	2
Own shares purchased		–	–	(117)	–	–	(117)	–	(117)
Dividends		–	–	–	(178)	–	(178)	–	(178)
Purchase of non-controlling interests		–	–	–	(8)	–	(8)	–	(8)
At 28 January 2012		372	2,199	(134)	2,869	413	5,719	8	5,727

ACCOUNTS

Consolidated balance sheet

At 2 February 2013

£ millions	Notes	2012/13	2011/12
Non-current assets			
Goodwill	12	**2,399**	2,397
Other intangible assets	13	**166**	123
Property, plant and equipment	14	**3,748**	3,667
Investment property	15	**66**	55
Investments in joint ventures and associates	17	**289**	271
Post employment benefits	27	**71**	25
Deferred tax assets	25	**17**	23
Derivatives	23	**55**	66
Other receivables	19	**18**	17
		6,829	6,644
Current assets			
Inventories	18	**2,083**	1,844
Trade and other receivables	19	**545**	531
Derivatives	23	**33**	26
Current tax assets		**9**	1
Cash and cash equivalents	20	**398**	587
		3,068	2,989
Total assets		**9,897**	9,633
Current liabilities			
Trade and other payables	21	**(2,430)**	(2,356)
Borrowings	22	**(99)**	(367)
Derivatives	23	**(17)**	(6)
Current tax liabilities		**(289)**	(305)
Provisions	26	**(35)**	(16)
		(2,870)	(3,050)
Non-current liabilities			
Other payables	21	**(115)**	(121)
Borrowings	22	**(332)**	(375)
Derivatives	23	**(12)**	(8)
Deferred tax liabilities	25	**(303)**	(269)
Provisions	26	**(38)**	(43)
Post employment benefits	27	**(71)**	(40)
		(871)	(856)
Total liabilities		**(3,741)**	(3,906)
Net assets	4	**6,156**	5,727
Equity			
Share capital	28	**373**	372
Share premium		**2,204**	2,199
Own shares held		**(60)**	(134)
Retained earnings		**3,106**	2,869
Other reserves	29	**525**	413
Total attributable to equity shareholders of the Company		**6,148**	5,719
Non-controlling interests		**8**	8
Total equity		**6,156**	5,727

The financial statements were approved by the Board of Directors on 25 March 2013 and signed on its behalf by:

Ian Cheshire
Group Chief Executive

Karen Witts
Group Finance Director

Consolidated cash flow statement

Year ended 2 February 2013

£ millions	Notes	2012/13	2011/12
Operating activities			
Cash generated by operations	31	**730**	827
Income tax paid		**(129)**	(148)
Net cash flows from operating activities		**601**	679
Investing activities			
Purchase of businesses		**–**	(2)
Purchase of property, plant and equipment, investment property and intangible assets	4	**(316)**	(450)
Disposal of property, plant and equipment, investment property and intangible assets		**17**	9
Interest received		**18**	19
Dividends received from joint ventures and associates		**10**	10
Net cash flows from investing activities		**(271)**	(414)
Financing activities			
Interest paid		**(18)**	(22)
Interest element of finance lease rental payments		**(4)**	(5)
Repayment of bank loans		**(31)**	(10)
Repayment of Medium Term Notes and other fixed term debt		**(162)**	(30)
Payment on financing derivatives		**–**	(5)
Capital element of finance lease rental payments		**(12)**	(16)
New shares issued under share schemes		**6**	6
Own shares issued under share schemes		**6**	2
Own shares purchased		**–**	(117)
Purchase of non-controlling interests		**–**	(8)
Dividends paid to equity shareholders of the Company		**(221)**	(178)
Net cash flows from financing activities		**(436)**	(383)
Net decrease in cash and cash equivalents and bank overdrafts		**(106)**	(118)
Cash and cash equivalents and bank overdrafts at beginning of year		**485**	636
Exchange differences		**19**	(33)
Cash and cash equivalents and bank overdrafts at end of year	32	**398**	485

ACCOUNTS
Notes to the consolidated financial statements

1 General information

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

The Company is 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 2 to 27.

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 25 March 2013.

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 53 weeks ended 2 February 2013 ('the year' or '2012/13'). The comparative financial year is the 52 weeks ended 28 January 2012 ('the prior year' or '2011/12').

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 2 February 2013. Refer to the Directors' statement of responsibility on page 33.

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

There are no new standards, amendments or interpretations, which are mandatory for the first time for the financial year ended 2 February 2013, that are relevant and material for the Group.

The following amendments and interpretations, which are mandatory for the first time for the financial year ended 2 February 2013, are either not currently relevant or not material for the Group:

- IFRS 1 (amendment), 'Severe hyperinflation and removal of fixed dates for first-time adopters';
- IFRS 7 (amendment), 'Disclosures – Transfers of financial assets'; and
- IAS 12 (amended), 'Deferred tax: Recovery of underlying assets'.

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

- IAS 1 (amended), 'Presentation of items of other comprehensive income' (effective from 1 July 2012);
- IAS 19 (revised), 'Employee benefits' (effective from 1 January 2013);
- IFRS 1 (amended), 'First time adoption' on government loans (effective from 1 January 2013);
- IFRS 7 (amended), 'Disclosures – Offsetting financial assets and financial liabilities' (effective from 1 January 2013);
- IFRS 13, 'Fair value measurement' (effective from 1 January 2013);
- Annual improvements to IFRSs 2011 (effective from 1 January 2013);
- IFRS 10, 'Consolidated financial statements' (effective from 1 January 2014);
- IFRS 11, 'Joint arrangements' (effective from 1 January 2014);
- IFRS 12, 'Disclosure of interests in other entities' (effective from 1 January 2014);
- IAS 27 (revised), 'Separate financial statements' (effective from 1 January 2014);
- IAS 28 (revised), 'Investments in associates and joint ventures' (effective from 1 January 2014);
- IAS 32 (amendment), 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities (effective from 1 January 2014); and
- IFRS 9, 'Financial instruments' (effective from 1 January 2015).

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

- IAS 19 (revised) will principally impact the measurement and presentation of defined benefit pension expense/income and the disclosures for benefit plans. The most significant change is expected to be the replacement of interest cost and expected return on scheme assets with a single net finance cost or return determined by applying the same discount rate used to measure the defined benefit obligations to the net defined benefit liability or asset. In addition, the revised standard will reclassify the administrative costs of running the UK scheme from net finance costs to operating costs. The Group's reported profit before taxation and net assets are not expected to be materially impacted for 2012/13 (restated) and 2013/14, however in future years they may be impacted by the change in the finance cost/return calculation depending on market interest rates, rates of return and the mix of scheme assets;
- IAS 1 (amended) will principally require items presented in 'other comprehensive income' (OCI) to be grouped together based on whether items can be reclassified to profit or loss subsequently. The amendments do not address which items are presented in OCI;

2 Principal accounting policies continued

- IFRS 13 clarifies the measurement of fair value for certain assets and liabilities as well as the associated disclosures; and
- IFRS 9 will impact both the measurement and disclosures of financial instruments.

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

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

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

Use of non-GAAP measures

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

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

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

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

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

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

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

b. Basis of consolidation

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

(i) Subsidiaries

Subsidiary undertakings are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiary undertakings acquired 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 are included up to the effective date of disposal.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 31 January 2010, losses exceeding the non-controlling interest in the equity of a subsidiary were required to be attributed to the parent; the resulting deficit balances were not restated following amendment to IAS 27, 'Consolidated and separate financial statements'.

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

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

2 Principal accounting policies continued

(ii) Joint ventures and associates

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

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

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

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

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

c. Foreign currencies

(i) Presentation and functional currencies

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

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

Principal rates of exchange against Sterling:

	2012/13		2011/12	
	Average rate	Year end rate	Average rate	Year end rate
Euro	**1.23**	**1.15**	1.15	1.19
US Dollar	**1.59**	**1.57**	1.60	1.57
Polish Zloty	**5.13**	**4.79**	4.80	5.04
Chinese Renminbi	**10.01**	**9.80**	10.31	9.94

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.

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

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

e. Rebates

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

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

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

f. Dividends

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

2 Principal accounting policies continued

g. Intangible assets

(i) Goodwill

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

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

(ii) Computer software

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

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development, employee and consultancy costs and an appropriate portion of relevant overheads. These costs are amortised over their estimated useful lives of two to ten years. 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
Short leasehold land and buildings	– over remaining period of the lease
Fixtures and fittings	– between 4 and 20 years
Computers and electronic equipment	– between 3 and 5 years
Motor cars	– 4 years
Commercial vehicles	– between 3 and 10 years

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

(iii) Impairment

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

(iv) Disposal

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

(v) Subsequent costs

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

i. Leased assets

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

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

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

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

2 Principal accounting policies continued

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

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

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

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

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

m. Employee benefits
(i) Post employment benefits

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

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

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

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

For defined contribution schemes, the Group pays contributions to privately administered pension schemes on a contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

(ii) Share-based compensation

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

n. Taxation
The income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year.

Taxable profit differs from profit before taxation as reported in the income statement because it excludes items of income or expense which are taxable or deductible in other years or which are never taxable or deductible.

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

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

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

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

2 Principal accounting policies continued

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

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

o. Provisions

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

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

p. Financial instruments

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

(i) Cash and cash equivalents

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

(ii) Borrowings

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

(iii) Other investments

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

(iv) Trade receivables

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

(v) Trade payables

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

(vi) Derivatives and hedge accounting

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

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

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

Fair value hedges

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

Cash flow hedges

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

Net investment hedges

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

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

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.

2 Principal accounting policies continued

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 suitable discount and long term growth rates in order to calculate the present value of the forecast cash flows. Actual outcomes could vary significantly from these estimates. Further information on the impairment tests undertaken, including the key assumptions, is given in note 12.

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

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

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

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

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

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

4 Segmental analysis

Income statement

2012/13

£ millions	UK & Ireland	France	Other International: Poland	Other International: Other	Total
Sales	**4,316**	**4,194**	**1,029**	**1,034**	**10,573**
Retail profit	**234**	**397**	**107**	**43**	**781**
Exceptional items					**(26)**
Central costs					**(42)**
Share of interest and tax of joint ventures and associates					**(18)**
Operating profit					**695**
Net finance costs					**(4)**
Profit before taxation					**691**

2011/12

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

The current financial year is the 53 weeks ended 2 February 2013 with the comparative financial year being the 52 weeks ended 28 January 2012. This only impacts the UK & Ireland businesses with all of the other businesses reporting on a calendar basis as a result of local requirements. The effect of the 53rd week on the results of the Group is the inclusion of an additional £72m sales and an immaterial benefit to retail profit.

Balance sheet

2012/13

£ millions	UK & Ireland	France	Other International: Poland	Other International: Other	Total
Segment assets	**1,458**	**1,443**	**600**	**620**	**4,121**
Central liabilities					**(402)**
Goodwill					**2,399**
Net cash					**38**
Net assets					**6,156**

2011/12

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

4 Segmental analysis continued

Other segmental information

2012/13

£ millions	UK & Ireland	France	Other International: Poland	Other International: Other	Central	Total
Capital expenditure	**125**	**93**	**49**	**43**	**6**	**316**
Depreciation and amortisation	**133**	**72**	**14**	**26**	**3**	**248**
Impairment losses	**8**	**–**	**–**	**–**	**–**	**8**
Non-current assets[1]	**3,332**	**1,984**	**584**	**459**	**20**	**6,379**

2011/12

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

(1) Non-current assets exclude investments in joint ventures and associates, post employment benefits, deferred tax assets, derivatives and other receivables.

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

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

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

5 Exceptional items

£ millions	2012/13	2011/12
Included within selling and distribution expenses		
Ireland restructuring	**(21)**	–
UK restructuring	**4**	2
UK stores acquisition integration	**–**	(11)
	(17)	(9)
Included within administrative expenses		
UK restructuring	**(20)**	–
Net pension gain	**11**	–
	(9)	–
Included within other income		
Loss on disposal of properties	**–**	(3)
	–	(3)
Exceptional items before tax	**(26)**	(12)
Tax on exceptional items	**1**	7
Exceptional items	**(25)**	(5)

Following a sustained decline in trading, the Group undertook a detailed review in the year of its Irish operations and as a result entered into an Examinership process in January 2013. The £21m restructuring charge represents provisions recorded for the impairment of properties and estimated costs of exiting leases and other closure activities.

The UK restructuring net charge of £16m principally reflects the streamlining of B&Q UK & Ireland's store support office and kitchen, bathroom and bedroom business as well as IT services. It also includes a £4m release (2011/12: £2m) of an onerous property contract provision for idle stores either sublet or exited in the period, which had previously been included as part of the B&Q UK store closure and downsizing programme in 2005/06.

In the prior year the Group acquired 29 Focus stores in the UK and incurred £11m of costs integrating these into the B&Q store network.

The net pension gain of £11m includes a £27m curtailment gain arising due to the closure of the UK final salary scheme to future benefit accrual. Offsetting the gain is a charge of £16m for transitional payments to scheme members.

6 Net finance costs

£ millions	2012/13	2011/12
Bank overdrafts and bank loans	**(8)**	(12)
Medium Term Notes and other fixed term debt	**(7)**	(10)
Finance leases	**(4)**	(5)
Financing fair value remeasurements	**2**	2
Unwinding of discount on provisions	**–**	(4)
Expected net interest charge on defined benefit pension schemes	**(3)**	–
Other interest payable	**–**	(3)
Capitalised interest	**1**	1
Finance costs	**(19)**	(31)
Cash and cash equivalents	**15**	19
Expected net interest return on defined benefit pension schemes	**–**	2
Finance income	**15**	21
Net finance costs	**(4)**	(10)

Medium Term Notes and other fixed term debt interest includes net interest income accrued on derivatives of £15m (2011/12: £15m income) and amortisation of issue costs of borrowings of £1m (2011/12: £1m).

Capitalised interest relates to central borrowings and is calculated by applying a capitalisation rate of 1.6% (2011/12: 2.0%) to expenditure on qualifying assets.

Financing fair value remeasurements comprise a net gain on derivatives, excluding accrued interest, of £10m (2011/12: £6m gain), offset by a net loss from fair value adjustments to the carrying value of borrowings and cash of £8m (2011/12: £4m loss).

7 Profit before taxation

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

£ millions	2012/13	2011/12
Sales	**10,573**	10,831
Other income	**36**	30
Finance income	**15**	21
Revenue	**10,624**	10,882

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

£ millions	2012/13	2011/12
Operating lease rentals		
Minimum lease payments – Property	**435**	411
Minimum lease payments – Equipment	**35**	37
Sublease income	**(17)**	(20)
	453	428
Rental income received on investment property	**(6)**	(5)
Amortisation of other intangible assets[1]	**27**	24
Depreciation of property, plant and equipment and investment property		
Owned assets	**212**	205
Under finance leases	**9**	8
Impairment of property, plant and equipment and investment property[2]	**8**	7
Loss on disposal		
Land and buildings and investment property	**–**	3
Fixtures, fittings and equipment	**4**	3
Other intangible assets	**1**	1
Inventories: write down to net realisable value	**16**	14
Trade and other receivables: write down of bad and doubtful debts	**4**	4

(1) Of the amortisation of other intangible assets charge, £1m (2011/12: £3m) and £26m (2011/12: £21m) are included in selling and distribution expenses and administrative expenses respectively.

(2) £7m of the 2012/13 charge relates to exceptional Ireland restructuring.

7 Profit before taxation continued

Auditors' remuneration

£ millions	2012/13	2011/12
Fees payable for the audit of the Company and consolidated financial statements	**0.3**	0.2
Fees payable to the Company's auditor and their associates for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation	**1.3**	1.2
Audit fees	**1.6**	1.4
Audit-related assurance services	**0.1**	0.1
Other taxation advisory services	**0.1**	0.1
Other assurance services	**0.1**	0.1
Other services	**0.1**	0.2
Non-audit fees	**0.4**	0.5
Auditors' remuneration	**2.0**	1.9

Details of the Group's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee Report on page 41. No services were provided pursuant to contingent fee arrangements.

8 Employees and directors

£ millions	2012/13	2011/12
Wages and salaries	**1,276**	1,268
Social security costs	**258**	258
Post employment benefits		
Defined contribution	**17**	8
Defined benefit (service cost only)	**17**	29
Share-based compensation	**9**	32
Employee benefit expenses	**1,577**	1,595

Number thousands	2012/13	2011/12
Stores	**72**	72
Administration	**5**	5
Average number of persons employed	**77**	77

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

Remuneration of key management personnel

£ millions	2012/13	2011/12
Short term employee benefits	**5.2**	8.4
Post employment benefits	**1.4**	1.0
Share-based compensation	**1.3**	8.4
	7.9	17.8

Key management consists of the Board of Directors and the Group Executive.

Further detail with respect to the Directors' remuneration is set out in the Directors' Remuneration Report on pages 45 to 59. Other than as set out in the Directors' Remuneration Report, there have been no transactions with key management during the year (2011/12: £nil).

9 Income tax expense

£ millions	2012/13	2011/12
UK corporation tax		
Current tax on profits for the year	**47**	68
Adjustments in respect of prior years	**(13)**	(16)
	34	52
Overseas tax		
Current tax on profits for the year	**128**	142
Adjustments in respect of prior years	**(54)**	(31)
	74	111
Deferred tax		
Current year	**18**	12
Adjustments in respect of prior years	**5**	(12)
Adjustments in respect of changes in tax rates	**(4)**	(5)
	19	(5)
Income tax expense	**127**	158

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 24% (2011/12: 26%). The differences are explained below:

£ millions	2012/13	2011/12
Profit before taxation	**691**	797
Profit multiplied by the standard rate of corporation tax in the UK of 24% (2011/12: 26%)	**166**	207
Share of post-tax results of joint ventures and associates	**(5)**	(8)
Expenses not deductible for tax purposes	**6**	12
Temporary differences:		
– Net gains on property	**(3)**	(6)
– Losses not recognised	**11**	3
Foreign tax rate differences	**18**	14
Adjustments in respect of prior years	**(62)**	(59)
Adjustments in respect of changes in tax rates	**(4)**	(5)
Income tax expense	**127**	158

The effective rate of tax on profit before exceptional items and excluding prior year tax adjustments and the impact of changes in tax rates on deferred tax is 27% (2011/12: 28%). Tax on exceptional items for the year is a credit of £1m. In 2011/12 tax on exceptional items was a credit of £7m, £5m of which related to prior year items. The effective tax rate calculation is set out in the Financial Review on page 20.

The overall tax rate for the year is 18% (2011/12: 20%) reflecting the impact on deferred tax of the 2% fall in the UK rate, release of prior year provisions either reassessed or time expired and a claim for the use of prior year losses of £33 million.

In addition to the amounts charged to the income statement, tax of £14m has been charged directly to equity (2011/12: £9m charge), of which a £6m credit (2011/12: £33m credit) is included in current tax and a £20m charge (2011/12: £42m charge) is included in deferred tax.

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

9 Income tax expense continued

Impact of changes in tax rates

The UK corporation tax rate fell from 26% to 24% from 1 April 2012 and will fall to 23% from 1 April 2013. A further reduction to 21% was announced in 2012, which is expected to take effect from 1 April 2014, and a subsequent reduction to 20% was announced in 2013, which is expected to take effect from 1 April 2015. Since these further reductions have not yet been substantively enacted, their impact is not included in these financial statements. The combined effect would be to reduce the net deferred tax liability as reported at 2 February 2013 by £9m.

10 Earnings per share

	2012/13			2011/12		
	Earnings £ millions	Weighted average number of shares millions	Earnings per share pence	Earnings £ millions	Weighted average number of shares millions	Earnings per share pence
Basic earnings per share	**564**	**2,339**	**24.1**	640	2,331	27.5
Dilutive share options		**34**	**(0.3)**		44	(0.6)
Diluted earnings per share	**564**	**2,373**	**23.8**	640	2,375	26.9
Basic earnings per share	**564**	**2,339**	**24.1**	640	2,331	27.5
Exceptional items	**26**		**1.1**	12		0.5
Tax on exceptional and prior year items	**(67)**		**(2.8)**	(66)		(2.8)
Financing fair value remeasurements	**(2)**		**(0.1)**	(2)		(0.1)
Tax on financing fair value remeasurements	**1**		**–**	–		–
Adjusted basic earnings per share	**522**	**2,339**	**22.3**	584	2,331	25.1
Diluted earnings per share	**564**	**2,373**	**23.8**	640	2,375	26.9
Exceptional items	**26**		**1.1**	12		0.5
Tax on exceptional and prior year items	**(67)**		**(2.8)**	(66)		(2.7)
Financing fair value remeasurements	**(2)**		**(0.1)**	(2)		(0.1)
Tax on financing fair value remeasurements	**1**		**–**	–		–
Adjusted diluted earnings per share	**522**	**2,373**	**22.0**	584	2,375	24.6

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	2012/13	2011/12
Dividends to equity shareholders of the Company		
Final dividend for the year ended 28 January 2012 of 6.37p per share (29 January 2011: 5.145p per share)	**148**	121
Interim dividend for the year ended 2 February 2013 of 3.09p per share (28 January 2012: 2.47p per share)	**73**	57
	221	178

The proposed final dividend for the year ended 2 February 2013 of 6.37p per share is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

12 Goodwill

£ millions	
Cost	
At 29 January 2012	**2,521**
Exchange differences	**3**
At 2 February 2013	**2,524**
Impairment	
At 29 January 2012	**(124)**
Exchange differences	**(1)**
At 2 February 2013	**(125)**
Net carrying amount	
At 2 February 2013	**2,399**
Cost	
At 30 January 2011	2,512
Additions	2
Exchange differences	7
At 28 January 2012	2,521
Impairment	
At 30 January 2011	(117)
Exchange differences	(7)
At 28 January 2012	(124)
Net carrying amount	
At 28 January 2012	2,397

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 2 February 2013					
Cost	**1,798**	**520**	**81**	**125**	**2,524**
Impairment	**–**	**–**	**–**	**(125)**	**(125)**
Net carrying amount	**1,798**	**520**	**81**	**–**	**2,399**
At 28 January 2012					
Cost	1,798	518	81	124	2,521
Impairment	–	–	–	(124)	(124)
Net carrying amount	1,798	518	81	–	2,397

The recoverable amounts of these groups of CGUs have been determined based on value-in-use calculations. The groups of CGUs for which the carrying amount of goodwill is deemed significant are the UK, France and Poland.

The Board have reviewed a sensitivity analysis, including the use of prior year discount and growth rates, and do not consider that a reasonably possible change in the assumptions used in the value-in-use calculations would cause the carrying amounts of the CGUs to exceed their recoverable amounts. The key assumptions used for value-in-use calculations are set out below.

Assumptions

- The cash flow projections are based on approved financial budgets and strategic plans covering a four 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 four year period are calculated using a growth rate which does not exceed the long term average growth rate for retail businesses operating in the same countries as the CGUs.
- The weighted average cost of capital, used to discount future cash flows, is calculated using a combination of the cost of debt, leases and equity, weighted according to an estimate of the CGU's capital gearing. A risk adjustment is also made for the country in which the CGU operates.

12 Goodwill continued

UK

- The risk-adjusted discount rate of 8.9% (2011/12: 10.5%) is pre-tax and reflects the specific risks inherent in the UK market.
- The long term growth rate is 2.8% (2011/12: 1.9%).

France

- The risk-adjusted discount rate of 9.6% (2011/12: 13.3%) is pre-tax and reflects the specific risks inherent in the French market.
- The long term growth rate is 2.3% (2011/12: 1.9%).

Poland

- The risk-adjusted discount rate of 10.5% (2011/12: 14.7%) is pre-tax and reflects the specific risks inherent in the Polish market.
- The long term growth rate is 3.5% (2011/12: 1.9%).

13 Other intangible assets

£ millions	Computer software	Other	Total
Cost			
At 29 January 2012	**343**	**9**	**352**
Additions	**72**	**–**	**72**
Disposals	**(3)**	**–**	**(3)**
Exchange differences	**2**	**–**	**2**
At 2 February 2013	**414**	**9**	**423**
Amortisation			
At 29 January 2012	**(226)**	**(3)**	**(229)**
Charge for the year	**(26)**	**(1)**	**(27)**
Disposals	**1**	**–**	**1**
Exchange differences	**(2)**	**–**	**(2)**
At 2 February 2013	**(253)**	**(4)**	**(257)**
Net carrying amount			
At 2 February 2013	**161**	**5**	**166**
Cost			
At 30 January 2011	293	13	306
Additions	61	–	61
Disposals	(10)	(4)	(14)
Exchange differences	(1)	–	(1)
At 28 January 2012	343	9	352
Amortisation			
At 30 January 2011	(213)	(7)	(220)
Charge for the year	(23)	(1)	(24)
Disposals	9	4	13
Exchange differences	1	1	2
At 28 January 2012	(226)	(3)	(229)
Net carrying amount			
At 28 January 2012	117	6	123

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 29 January 2012	**3,049**	**2,375**	**5,424**
Additions	**88**	**171**	**259**
Disposals	**(19)**	**(42)**	**(61)**
Transfers to investment property	**(12)**	**–**	**(12)**
Exchange differences	**74**	**36**	**110**
At 2 February 2013	**3,180**	**2,540**	**5,720**
Depreciation			
At 29 January 2012	**(345)**	**(1,412)**	**(1,757)**
Charge for the year	**(46)**	**(174)**	**(220)**
Impairment losses	**(1)**	**(7)**	**(8)**
Disposals	**5**	**37**	**42**
Exchange differences	**(9)**	**(20)**	**(29)**
At 2 February 2013	**(396)**	**(1,576)**	**(1,972)**
Net carrying amount			
At 2 February 2013	**2,784**	**964**	**3,748**
Cost			
At 30 January 2011	2,989	2,246	5,235
Additions	167	206	373
Disposals	(13)	(50)	(63)
Transfers to investment property	(25)	–	(25)
Exchange differences	(69)	(27)	(96)
At 28 January 2012	3,049	2,375	5,424
Depreciation			
At 30 January 2011	(309)	(1,294)	(1,603)
Charge for the year	(43)	(169)	(212)
Impairment losses	(4)	(3)	(7)
Disposals	8	45	53
Exchange differences	3	9	12
At 28 January 2012	(345)	(1,412)	(1,757)
Net carrying amount			
At 28 January 2012	2,704	963	3,667
Assets in the course of construction included above at net carrying amount			
At 2 February 2013	**81**	**46**	**127**
At 28 January 2012	49	64	113
Assets held under finance leases included above at net carrying amount			
At 2 February 2013	**19**	**34**	**53**
At 28 January 2012	20	29	49

The amount of borrowing costs capitalised in property, plant and equipment in the year has been £1m (2011/12: £1m).
The cumulative total of borrowing costs included at the balance sheet date, net of depreciation, is £27m (2011/12: £26m).

14 Property, plant and equipment continued

Land and buildings are analysed as follows:

				2012/13	2011/12
£ millions	Freehold	Long leasehold	Short leasehold	Total	Total
Cost	**2,443**	**136**	**601**	**3,180**	3,049
Depreciation	**(139)**	**(6)**	**(251)**	**(396)**	(345)
Net carrying amount	**2,304**	**130**	**350**	**2,784**	2,704

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 net carrying amount of leasehold land included in land and buildings at 2 February 2013 is £240m (2011/12: £237m).

The Group does not revalue properties within its financial statements. A valuation exercise is performed for internal purposes annually in November by independent external valuers covering over one third of the property portfolio with the remaining portfolio valued internally. Based on this exercise the value of property is £3.5 billion (2011/12: £3.4bn). The key assumption used in calculating this is the estimated yields.

15 Investment property

£ millions	
Cost	
At 29 January 2012	**67**
Additions	**3**
Transfers from property, plant and equipment	**12**
Exchange differences	**(3)**
At 2 February 2013	**79**
Depreciation	
At 29 January 2012	**(12)**
Charge for the year	**(1)**
At 2 February 2013	**(13)**
Net carrying amount	
At 2 February 2013	**66**
Cost	
At 30 January 2011	44
Additions	9
Disposals	(9)
Transfers from property, plant and equipment	25
Exchange differences	(2)
At 28 January 2012	67
Depreciation	
At 30 January 2011	(12)
Charge for the year	(1)
Exchange differences	1
At 28 January 2012	(12)
Net carrying amount	
At 28 January 2012	55

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 £121m (2011/12: £90m).

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 29 January 2012	**271**
Share of post-tax results	**20**
Dividends	**(10)**
Exchange differences	**8**
At 2 February 2013	**289**

At 30 January 2011	259
Share of post-tax results	32
Dividends	(10)
Exchange differences	(10)
At 28 January 2012	271

No goodwill is included in the carrying amount of investments in joint ventures and associates (2011/12: £nil).

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

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

(1) Owing to local conditions, this company prepares its financial statements to 31 December.

(2) This company prepares its financial statements to 28 February (or 29 February in a leap year). In order to avoid undue delay in the presentation of the Group financial statements, the Group records its share of post-tax results for the year ended 30 November. The value of the Group's investment based on published price quotations at 2 February 2013 was £195m (2011/12: £178m).

Aggregate amounts relating to joint ventures and associates:

	2012/13			2011/12		
£ millions	Joint ventures	Associates	Total	Joint ventures	Associates	Total
Non-current assets	**28**	**269**	**297**	29	249	278
Current assets	**56**	**303**	**359**	59	296	355
Current liabilities	**(47)**	**(211)**	**(258)**	(54)	(195)	(249)
Non-current liabilities	**(8)**	**(101)**	**(109)**	(2)	(111)	(113)
Share of net assets	**29**	**260**	**289**	32	239	271
Sales	**165**	**605**	**770**	166	608	774
Operating expenses	**(156)**	**(576)**	**(732)**	(152)	(570)	(722)
Operating profit	**9**	**29**	**38**	14	38	52
Net finance costs	**(3)**	**(7)**	**(10)**	(2)	(7)	(9)
Profit before taxation	**6**	**22**	**28**	12	31	43
Income tax expense	**(1)**	**(7)**	**(8)**	(2)	(9)	(11)
Share of post-tax results	**5**	**15**	**20**	10	22	32

18 Inventories

£ millions	2012/13	2011/12
Finished goods for resale	**2,083**	1,844

The cost of inventories recognised as an expense and included in cost of sales for the year ended 2 February 2013 is £6,093m (2011/12: £6,304m).

19 Trade and other receivables

£ millions	2012/13	2011/12
Non-current		
Prepayments	**13**	13
Property receivables	**2**	2
Other receivables	**3**	2
	18	17
Current		
Trade receivables	**50**	61
Provision for bad and doubtful debts	**(11)**	(12)
Net trade receivables	**39**	49
Property receivables	**3**	3
Prepayments	**135**	141
Other receivables	**368**	338
	545	531
Trade and other receivables	**563**	548

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	2012/13	2011/12
Cash at bank and in hand	**268**	271
Short term deposits	**130**	316
	398	587

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	2012/13	2011/12
Current		
Trade payables	**1,370**	1,256
Other taxation and social security	**227**	229
Deferred income	**168**	153
Accruals and other payables	**665**	718
	2,430	2,356
Non-current		
Accruals and other payables	**115**	121
Trade and other payables	**2,545**	2,477

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	2012/13	2011/12
Current		
Bank overdrafts	**–**	102
Bank loans	**54**	82
Medium Term Notes and other fixed term debt	**32**	172
Finance leases	**13**	11
	99	367
Non-current		
Bank loans	**14**	16
Medium Term Notes and other fixed term debt	**266**	306
Finance leases	**52**	53
	332	375
Borrowings	**431**	742

Bank overdrafts and loans

Bank overdrafts are repayable on demand and current bank loans mature within the next 12 months. Bank overdrafts are arranged at floating rates of interest. Current bank loans include Chinese Renminbi loans drawn under committed facilities expiring in 2013. These loans bear interest based on the People's Bank of China reference rate and are fixed for periods of up to six months. At the year end the effective borrowing rate on the drawn amounts was 6.2% (2011/12: 6.2%). Other current bank loans are arranged at floating rates of interest.

Non-current bank loans have an average maturity of three years (2011/12: three years) and are arranged at fixed rates of interest with an effective interest rate of 3.8% (2011/12: 3.6%).

22 Borrowings continued

Medium Term Notes and other fixed term debt

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

£ millions	Principal outstanding	Maturity date	Coupon	Effective interest rate	2012/13 Carrying amount	2011/12 Carrying amount
Euro MTN	**€nil**	**23/11/12**[1]	**4.13%**	**4.3%**	**–**	172
US Dollar USPP	**$50m**	**24/05/13**[2]	**6.14%**	**6.1%**	**32**	34
Sterling MTN	**£73m**	**15/12/14**[3]	**5.63%**	**5.8%**	**78**	80
US Dollar USPP	**$68m**	**24/05/16**[2]	**6.30%**	**6.3%**	**49**	51
US Dollar USPP	**$179m**	**24/05/18**[2]	**6.40%**	**6.4%**	**139**	141
					298	478

(1) Swapped to floating rate Euro based on 3 month EURIBOR plus a margin using an interest rate swap. Repaid on 23/11/2012 upon maturity.

(2) $297m swapped to floating rate Sterling based on 6 month LIBOR plus a margin using a cross-currency interest rate swap.

(3) Swapped to floating rate Euro based on 3 month EURIBOR plus a margin using a cross-currency interest rate swap.

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

The carrying amounts of the MTNs and USPP have been impacted both by exchange rate movements and fair value adjustments for interest rate risk. At 2 February 2013, the cumulative effect of interest rate fair value adjustments is to increase the Group's MTNs and USPP carrying amounts by £38m (2011/12: £49m increase).

The USPP contains a covenant requiring that, as at the end of each semi-annual and annual financial reporting period, the ratio of operating profit to net interest payable, excluding exceptional items, should not be less than 3 to 1 for the preceding 12 month period. The Group has complied with this covenant for the year ended 2 February 2013.

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 (2011/12: seven years) and for fixtures and equipment is two years (2011/12: two years). Certain building leases include a clause to enable upward revision of the rental charge to prevailing market conditions.

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

£ millions	2012/13 Present value of payments	2012/13 Minimum payments	2011/12 Present value of payments	2011/12 Minimum payments
Less than one year	**13**	**15**	11	14
One to five years	**30**	**42**	29	39
More than five years	**22**	**31**	24	35
Total	**65**	**88**	64	88
Less amounts representing finance charges		**(23)**		(24)
Present value of minimum lease payments		**65**		64

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 8.5% (2011/12: 8.4%).

22 Borrowings continued

Fair value of borrowings

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

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

	2012/13		2011/12	
£ millions	Carrying amount	Fair value	Carrying amount	Fair value
Bank loans	**14**	**12**	16	16
Medium Term Notes and other fixed term debt	**266**	**274**	306	314
Finance leases	**52**	**82**	53	84
	332	**368**	375	414

Assets worth RMB 1.6bn (£163m) secure a bank facility in China, which matures in July 2013 (2011/12: RMB 1.6bn).

23 Derivatives

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

£ millions	2012/13	2011/12
Fair value hedges	**69**	64
Cash flow hedges	**(14)**	9
Net investment hedges	**(18)**	–
Non-designated hedges	**22**	5
	59	78

Non-current assets	**55**	66
Current assets	**33**	26
Current liabilities	**(17)**	(6)
Non-current liabilities	**(12)**	(8)
	59	78

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 2 February 2013 net derivative assets included in net debt amount to £71m (2011/12: £67m net derivative assets).

Fair value hedges

Fair value hedges comprise interest rate swap contracts that convert fixed rate debt issued under the Group's Medium Term Note programme and the US Private Placement to floating rate liabilities, along with certain cross-currency swaps. At 2 February 2013 the Sterling equivalent amount of such contracts is £261m (2011/12: £516m). During the year, interest rate swaps have expired to coincide with the final repayment of underlying debt. The Sterling equivalent amount of those expired swaps (at year end exchange rates) was £174m.

Cash flow hedges

Forward foreign exchange contracts hedge currency exposures of forecast inventory purchases. At 2 February 2013 the Sterling equivalent amount of such contracts is £441m (2011/12: £376m). The associated fair value gains and losses will be transferred to inventories when the purchases occur during the next 12 months. Gains of £8m (2011/12: £8m losses) have been transferred to inventories for contracts which matured during the year.

Net investment hedges

Cross-currency interest rate swaps hedge currency exposures of overseas investments. At 2 February 2013 the Sterling equivalent amount of such contracts is £90m (2011/12: £nil).

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 2 February 2013 the Sterling equivalent amount of such contracts is £1,062m (2011/12: £715m). These have not been accounted for as hedges, since the fair value movements of the derivatives in the income statement offset the retranslation of the balance sheet positions. These include short term foreign exchange contracts.

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

24 Financial risk management

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

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

Interest rate risk

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

Currency risk

The Group's principal currency exposures are to the Euro, US Dollar, Polish Zloty and Chinese Renminbi. The Euro, Polish Zloty and Chinese Renminbi exposures are operational and arise through the ownership of retail businesses in France, Spain, Ireland, Poland and China. In particular, the Group generates a substantial part of its profit from the Eurozone, and as such is exposed to the economic uncertainty of its member states. The Group continues to monitor potential exposures and risks, and develop effective risk management solutions.

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

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

	Sterling		Euro		US Dollar		Other		
£ millions	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Total
At 2 February 2013									
Net cash before fair value adjustments and financing derivatives	**(114)**	**91**	**(39)**	**135**	**(188)**	**3**	**103**	**14**	**5**
Fair value adjustments to net cash	**(6)**	**–**	**–**	**–**	**(32)**	**–**	**–**	**–**	**(38)**
Financing derivatives	**78**	**(1,064)**	**–**	**192**	**222**	**315**	**–**	**328**	**71**
Net cash	**(42)**	**(973)**	**(39)**	**327**	**2**	**318**	**103**	**342**	**38**
At 28 January 2012									
Net debt before fair value adjustments and financing derivatives	(134)	7	(183)	290	(189)	2	90	11	(106)
Fair value adjustments to net debt	(8)	–	(3)	–	(38)	–	–	–	(49)
Financing derivatives	81	(892)	171	(97)	293	262	–	249	67
Net debt	(61)	(885)	(15)	193	66	264	90	260	(88)

24 Financial risk management continued

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	2012/13 Net finance costs Income/ (costs)	2011/12 Net finance costs Income/ (costs)
Effect of 1% rise in interest rates on net finance costs		
Sterling	**(10)**	(9)
Euro	**3**	2
US Dollar	**3**	3
Polish Zloty	**3**	2
Chinese Renminbi	**–**	–

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

£ millions	2012/13 Derivative cash flow hedges Increase/ (decrease)	2011/12 Derivative cash flow hedges Increase/ (decrease)
Effect of 10% appreciation in foreign exchange rates on derivative cash flow hedges		
US Dollar against Sterling	**18**	17
US Dollar against Euro	**21**	15

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

The sensitivity analysis excludes the impact of movements in market variables on the carrying amount of trade and other payables and receivables, due to the low associated sensitivity, and are before the effect of tax. It has been prepared on the basis that the Group's debt, hedging activities, hedge accounting designations, and foreign currency proportion of debt and derivative contracts remain constant, reflecting the positions at 2 February 2013 and 28 January 2012 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.

24 Financial risk management continued

Liquidity risk

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

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

£ millions	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
At 2 February 2013							
Bank loans	**(55)**	**(4)**	**(2)**	**(4)**	**(5)**	**–**	**(70)**
Medium Term Notes and other fixed term debt	**(47)**	**(87)**	**(10)**	**(52)**	**(7)**	**(117)**	**(320)**
Finance leases	**(15)**	**(16)**	**(12)**	**(8)**	**(6)**	**(31)**	**(88)**
Derivatives – receipts	**47**	**87**	**10**	**52**	**7**	**117**	**320**
Derivatives – payments	**(30)**	**(93)**	**(2)**	**(39)**	**(2)**	**(98)**	**(264)**
At 28 January 2012							
Bank overdrafts	(102)	–	–	–	–	–	(102)
Bank loans	(85)	(6)	(4)	(2)	(4)	–	(101)
Medium Term Notes and other fixed term debt	(191)	(47)	(87)	(10)	(52)	(125)	(512)
Finance leases	(14)	(13)	(11)	(9)	(6)	(35)	(88)
Derivatives – receipts	23	47	87	10	52	125	344
Derivatives – payments	(7)	(31)	(90)	(3)	(39)	(101)	(271)

At 2 February 2013 the Group has an undrawn revolving facility of £200m which matures in August 2016. The £200m facility contains a covenant requiring that, as at the end of each annual and semi-annual financial reporting period, the ratio of operating profit to net interest payable, excluding exceptional items, should not be less than 3 to 1 for the preceding 12 month period. The Group has complied with this covenant for the year ended 2 February 2013.

Credit risk

The Group deposits surplus cash with a number of banks with the strongest short term credit ratings and with money market funds which have AAA credit ratings and offer same day liquidity. A credit limit for each counterparty is agreed by the Board covering the full value of deposits and a proportion of the fair value of derivative contracts. The credit risk is reduced further by spreading the investments and derivative contracts across several counterparties. At 2 February 2013, the highest cash deposit with a single counterparty was £32m (2011/12: £63m).

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 2 February 2013, trade and other receivables that are past due but not provided against amount to £41m (2011/12: £62m), of which £3m (2011/12: £3m) are over 120 days past due.

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

Capital risk

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

25 Deferred tax

£ millions	2012/13	2011/12
Deferred tax assets	**17**	23
Deferred tax liabilities	**(303)**	(269)
	(286)	(246)

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 29 January 2012	**(115)**	**(144)**	**33**	**7**	**(30)**	**3**	**(246)**
(Charge)/credit to income statement	**(17)**	**14**	**(15)**	**1**	**(2)**	**–**	**(19)**
(Charge)/credit to equity	**–**	**–**	**–**	**–**	**(27)**	**7**	**(20)**
Exchange differences	**(4)**	**(2)**	**2**	**–**	**2**	**1**	**(1)**
At 2 February 2013	**(136)**	**(132)**	**20**	**8**	**(57)**	**11**	**(286)**
At 30 January 2011	(98)	(161)	27	2	11	8	(211)
(Charge)/credit to income statement	(22)	16	8	6	(4)	1	5
Charge to equity	–	–	–	–	(36)	(6)	(42)
Exchange differences	5	1	(2)	(1)	(1)	–	2
At 28 January 2012	(115)	(144)	33	7	(30)	3	(246)

At the balance sheet date, the Group has unused tax losses of £243m (2011/12: £246m) available for offset against future profits. A deferred tax asset has been recognised in respect of £24m (2011/12: £23m) of such losses. No deferred tax asset has been recognised in respect of the remaining £219m (2011/12: £223m) due to the unpredictability of future profit streams. Included in unrecognised tax losses are tax losses arising in China of £187m (2011/12: £210m) which can be carried forward only in the next one to five years. Other unrecognised losses may be carried forward indefinitely.

No deferred tax liability is recognised on temporary differences of £2,980m (2011/12: £114m) relating to the unremitted earnings of overseas subsidiaries and joint ventures. This is because the earnings are continually reinvested by the Group and therefore no tax is expected to be payable on them in the foreseeable future. The total temporary difference has increased significantly in the period largely as a result of changes introduced by the French government to apply a surtax on gross dividend distributions paid by French entities. Previously only 5% of dividend income received in France was potentially subject to tax at the prevailing corporate income tax rate. Hence as a result of the surtax the total earnings on which the tax would be chargeable, should they be remitted from or through France, has increased considerably.

26 Provisions

£ millions	Onerous property contracts	Restructuring	Total
At 29 January 2012	**21**	**38**	**59**
Charge to income statement	**2**	**50**	**52**
Credit to income statement	**–**	**(4)**	**(4)**
Utilised in the year	**(2)**	**(32)**	**(34)**
At 2 February 2013	**21**	**52**	**73**
Current liabilities	**4**	**31**	**35**
Non-current liabilities	**17**	**21**	**38**
	21	**52**	**73**

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, Ireland 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 principally 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	2012/13	2011/12
Charge to operating profit	**17**	8

From July 2012 an enhanced defined contribution scheme has been offered to all UK employees. Eligible UK employees will be automatically enrolled into the defined contribution scheme from 31 March 2013.

Defined benefit schemes

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

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

During the year, and following consultation with the active members, the UK final salary pension scheme was closed to future benefit accrual with effect from 30 June 2012. The scheme had been closed to new entrants in 2004. The closure to future accrual resulted in an exceptional non-cash curtailment gain of £27m, representing the one-off reduction in accounting liabilities as benefits are no longer linked to future salary increases other than in line with inflation.

UK scheme interest in property partnership

In 2010/11, the Group established a partnership, Kingfisher Scottish Limited Partnership ('Kingfisher SLP'), as part of an arrangement with the UK scheme Trustee to address an element of the scheme deficit and provide greater security to the Trustee. The partnership interests are held by the Group and by the scheme, the latter resulting from investments of £78m and £106m made by the Trustee in January and June 2011 respectively. These investments followed Group contributions of the same amounts into the scheme. Under IAS 19, 'Employee benefits', the investments held by the scheme in Kingfisher SLP do not represent plan assets for the purposes of the Group's consolidated financial statements. Accordingly the reported pension position does not reflect these investments. The Group has control over the partnership and therefore it is consolidated in these Group financial statements. Accordingly, advantage has been taken of the exemptions provided by Regulation 7 of the Partnerships (Accounts) Regulations 2008 from the requirements for preparation, delivery and publication of the partnership's accounts.

UK property assets with market values of £83m and £119m were transferred, in January 2011 and June 2011 respectively, into the partnership and leased back to B&Q plc. The Group retains control over these properties, including the flexibility to substitute alternative properties. The Trustee has a first charge over the properties in the event that Kingfisher plc becomes insolvent. The scheme's partnership interest entitles it to the majority of the income of the partnership over the 20 year period of the arrangement. The payments to the scheme by Kingfisher SLP over this term are reflected as Group pension contributions on a cash basis. At the end of this term, Kingfisher plc has the option to acquire the Trustee's partnership interest in Kingfisher SLP.

Income statement

			2012/13			2011/12
£ millions	UK	Other	Total	UK	Other	Total
Amounts charged/(credited) to operating profit						
Current service cost	**13**	**4**	**17**	24	5	29
Exceptional curtailment gain	**(27)**	**–**	**(27)**	–	–	–
	(14)	**4**	**(10)**	24	5	29
Amounts charged/(credited) to net finance costs						
Interest on defined benefit obligations	**84**	**3**	**87**	90	3	93
Expected return on pension scheme assets	**(83)**	**(1)**	**(84)**	(94)	(1)	(95)
	1	**2**	**3**	(4)	2	(2)
Total (credited)/charged to income statement	**(13)**	**6**	**(7)**	20	7	27

Of the net credit to operating profit, a £12m charge (2011/12: £22m charge) and £22m credit (2011/12: £7m charge) are included in selling and distribution expenses and administrative expenses respectively. Actuarial gains and losses have been reported in the statement of comprehensive income.

27 Post employment benefits continued

Balance sheet

	2012/13			2011/12		
£ millions	UK	Other	Total	UK	Other	Total
Present value of defined benefit obligations	**(1,994)**	**(93)**	**(2,087)**	(1,902)	(60)	(1,962)
Fair value of scheme assets	**2,065**	**22**	**2,087**	1,927	20	1,947
Surplus/(deficit) in scheme	**71**	**(71)**	**–**	25	(40)	(15)

The amount of the defined benefit obligation at 2 February 2013 which relates to funded defined benefit schemes is £2,087m (2011/12: £1,962m).

Movements in the surplus or deficit are as follows:

	2012/13			2011/12		
£ millions	UK	Other	Total	UK	Other	Total
Surplus/(deficit) in scheme at beginning of year	**25**	**(40)**	**(15)**	(21)	(37)	(58)
Current service cost	**(13)**	**(4)**	**(17)**	(24)	(5)	(29)
Exceptional curtailment gain	**27**	**–**	**27**	–	–	–
Interest on defined benefit obligations	**(84)**	**(3)**	**(87)**	(90)	(3)	(93)
Expected return on pension scheme assets	**83**	**1**	**84**	94	1	95
Actuarial (losses)/gains	**(7)**	**(22)**	**(29)**	18	2	20
Contributions paid by employer	**40**	**1**	**41**	48	1	49
Exchange differences	**–**	**(4)**	**(4)**	–	1	1
Surplus/(deficit) in scheme at end of year	**71**	**(71)**	**–**	25	(40)	(15)

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

	2012/13			2011/12		
£ millions	UK	Other	Total	UK	Other	Total
Present value of defined benefit obligations at beginning of year	**(1,902)**	**(60)**	**(1,962)**	(1,646)	(57)	(1,703)
Current service cost	**(13)**	**(4)**	**(17)**	(24)	(5)	(29)
Exceptional curtailment gain	**27**	**–**	**27**	–	–	–
Interest on defined benefit obligations	**(84)**	**(3)**	**(87)**	(90)	(3)	(93)
Actuarial (losses)/gains	**(80)**	**(22)**	**(102)**	(197)	2	(195)
Contributions paid by employees	**(5)**	**–**	**(5)**	(7)	–	(7)
Benefits paid	**63**	**1**	**64**	62	1	63
Exchange differences	**–**	**(5)**	**(5)**	–	2	2
Present value of defined benefit obligations at end of year	**(1,994)**	**(93)**	**(2,087)**	(1,902)	(60)	(1,962)

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

	2012/13			2011/12		
£ millions	UK	Other	Total	UK	Other	Total
Fair value of scheme assets at beginning of year	**1,927**	**20**	**1,947**	1,625	20	1,645
Expected return on pension scheme assets	**83**	**1**	**84**	94	1	95
Actuarial gains on pension scheme assets	**73**	**–**	**73**	215	–	215
Contributions paid by employer	**40**	**1**	**41**	48	1	49
Contributions paid by employees	**5**	**–**	**5**	7	–	7
Benefits paid	**(63)**	**(1)**	**(64)**	(62)	(1)	(63)
Exchange differences	**–**	**1**	**1**	–	(1)	(1)
Fair value of scheme assets at end of year	**2,065**	**22**	**2,087**	1,927	20	1,947

The fair value of scheme assets is analysed as follows:

	2012/13				2011/12			
£ millions	UK	Other	Total	% of total	UK	Other	Total	% of total
Equities	**552**	**–**	**552**	**26%**	486	–	486	25%
Bonds	**1,367**	**–**	**1,367**	**66%**	1,298	–	1,298	67%
Property	**70**	**–**	**70**	**3%**	87	–	87	4%
Other	**76**	**22**	**98**	**5%**	56	20	76	4%
Total fair value of scheme assets	**2,065**	**22**	**2,087**	**100%**	1,927	20	1,947	100%

27 Post employment benefits continued

The actual return on pension scheme assets is as follows:

	2012/13			2011/12		
£ millions	UK	Other	Total	UK	Other	Total
Actual return on pension scheme assets	**156**	**1**	**157**	309	1	310

The estimated amount of total contributions to be paid to the UK and overseas pension schemes by the Group during the next financial year is £32m.

Amounts for the current and previous four years

£ millions	2012/13	2011/12	2010/11	2009/10	2008/09
Present value of defined benefit obligations	**(2,087)**	(1,962)	(1,703)	(1,716)	(1,437)
Fair value of scheme assets	**2,087**	1,947	1,645	1,518	1,363
Deficit in scheme	**–**	(15)	(58)	(198)	(74)
Changes in assumptions underlying present value of defined benefit obligations	**(98)**	(195)	40	(226)	21
Percentage of defined benefit obligations	***5%***	*10%*	*(2%)*	*13%*	*(1%)*
Experience (losses)/gains arising on defined benefit obligations	**(4)**	–	34	–	(1)
Percentage of defined benefit obligations	***–***	–	*(2%)*	–	–
Actual return less expected return on pension scheme assets	**73**	215	54	61	(211)
Percentage of scheme assets	***3%***	*11%*	*3%*	*4%*	*(15%)*
Total (losses)/gains recognised in the statement of comprehensive income in the year	**(29)**	20	128	(165)	(191)
Cumulative losses recognised in the statement of comprehensive income	**(220)**	(191)			

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.

	2012/13		2011/12	
Annual % rate	UK	Other	UK	Other
Discount rate	**4.6**	**2.8**	4.5	4.6
Salary escalation	**n/a**	**2.0 to 6.7**	3.8	2.0 to 6.7
Rate of pension increases	**3.3**	**–**	3.0	–
Price inflation	**3.3**	**2.0**	3.0	2.0

	2012/13		2011/12	
% rate of return	UK	Other	UK	Other
Equities	**7.6**	**–**	7.6	–
Bonds	**3.5**	**–**	3.4	–
Property	**5.9**	**–**	5.8	–
Other	**2.4**	**3.5**	2.6	3.5
Overall expected rate of return	**4.6**	**3.5**	4.5	3.5

For the UK scheme, the mortality assumptions used in the actuarial valuations have been selected with regard to the characteristics and experience of the membership of the scheme from 2007 to 2010. The base mortality assumptions have been derived by adjusting standard mortality tables (SAPS tables) projected forward to 2010 with the medium cohort improvement factors for males and with the standard improvement factors for females. In addition, allowance has been made for future increases in life expectancy. For males, the allowance is in line with medium cohort improvements subject to a minimum rate of improvement of 1% pa, and for females, the allowance is in line with the average of the standard series and long cohort improvements, subject to a minimum of 1% pa. These improvements take into account trends observed within the scheme over the past decade and general population trends.

27 Post employment benefits continued

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

Years	2012/13	2011/12
Age to which current pensioners are expected to live (60 now)		
– Male	**86.4**	86.4
– Female	**87.1**	87.1
Age to which future pensioners are expected to live (60 in 15 years' time)		
– Male	**87.1**	87.1
– Female	**88.7**	88.7

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

Assumption	Change in assumption	Impact on defined benefit obligation
Discount rate	Increase/decrease by 0.1%	Decrease/increase by £38m
Rate of pension increases	Increase/decrease by 0.1%	Increase/decrease by £25m
Price inflation	Increase/decrease by 0.1%	Increase/decrease by £38m
Mortality	Increase in life expectancy by one year	Increase by £62m

28 Share capital

	Number of ordinary shares millions	Ordinary share capital £ millions
At 29 January 2012	**2,369**	**372**
New shares issued under share schemes	**3**	**1**
At 2 February 2013	**2,372**	**373**
At 30 January 2011	2,364	371
New shares issued under share schemes	5	1
At 28 January 2012	2,369	372

29 Other reserves

£ millions	Cash flow hedge reserve	Translation reserve	Other	Total
At 29 January 2012	**7**	**247**	**159**	**413**
Currency translation differences				
Group	**–**	**122**	**–**	**122**
Joint ventures and associates	**–**	**8**	**–**	**8**
Cash flow hedges				
Fair value losses	**(14)**	**–**	**–**	**(14)**
Gains transferred to inventories	**(8)**	**–**	**–**	**(8)**
Tax on other comprehensive income	**7**	**(3)**	**–**	**4**
Other comprehensive income for the year	**(15)**	**127**	**–**	**112**
At 2 February 2013	**(8)**	**374**	**159**	**525**
At 30 January 2011	(5)	385	159	539
Currency translation differences				
Group	–	(129)	–	(129)
Joint ventures and associates	–	(10)	–	(10)
Cash flow hedges				
Fair value gains	10	–	–	10
Losses transferred to inventories	8	–	–	8
Tax on other comprehensive income	(6)	1	–	(5)
Other comprehensive income for the year	12	(138)	–	(126)
At 28 January 2012	7	247	159	413

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 in 1993.

30 Share-based payments

	2012/13		2011/12	
	Options Number	Weighted average exercise price £	Options Number	Weighted average exercise price £
Outstanding at beginning of year	**89,247,441**	**0.33**	77,771,222	0.42
Granted during the year[1],[2]	**12,292,718**	**0.50**	29,570,764	0.28
Forfeited during the year	**(12,013,719)**	**0.31**	(6,352,907)	0.83
Exercised during the year	**(27,359,417)**	**0.27**	(11,741,638)	0.56
Outstanding at end of year	**62,167,023**	**0.39**	89,247,441	0.33
Exercisable at end of year	**6,253,122**	**0.29**	3,639,445	1.60

(1) The charge to the income statement for the years ended 2 February 2013 and 28 January 2012 in respect of share-based payments includes the first year's charge of the 2013 and 2012 Kingfisher Incentive Share Scheme ('KISS') grants respectively, based on the bonus for the year. Since grants under the KISS are made following the year end to which the first year of charge relates, it is not possible to give the number of options granted until after the year end.

(2) The weighted average exercise price for options granted during the year represents a blend of nil price KISS, Performance Share Plan and Store Management Incentive Share Scheme options and discounted Sharesave options (see below).

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

Options have been exercised on a regular basis throughout the year. On that basis, the weighted average share price during the year, rather than at the date of exercise, is £2.81 (2011/12: £2.55). The options outstanding at the end of the year have exercise prices ranging from £nil to £2.38 and a weighted average remaining contractual life of 3.1 years (2011/12: 3.6 years).

The Group recognised a total expense of £9m in the year ended 2 February 2013 (2011/12: £32m) 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.

30 Share-based payments continued

The fair value of share options and deferred shares is determined by independent valuers using 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[2] years	Expected volatility[3] %	Dividend yield %	Risk free rate %	Fair value[4] £
Kingfisher Incentive Share Scheme[1]	21/04/08	1.28	–	7.0	–	–	–	1.28
	21/04/09	1.63	–	7.0	–	–	–	1.63
	06/04/10	2.24	–	7.0	–	–	–	2.24
	05/05/10	2.33	–	7.0	–	–	–	2.33
	12/04/11	2.60	–	7.0	–	–	–	2.60
	06/05/11	2.80	–	7.0	–	–	–	2.80
	25/04/12	2.96	–	7.0	–	–	–	2.96
Performance Share Plan	01/02/08	1.51	–	7.0	28.2%	–	–	0.92
	01/02/08	1.51	–	7.0	–	–	–	1.51
	21/04/08	1.28	–	7.0	–	–	–	1.28
	24/07/08	1.24	–	7.0	–	–	–	1.24
	01/10/08	1.35	–	7.0	35.9%	–	–	0.79
	01/10/08	1.35	–	7.0	–	–	–	1.35
	21/04/09	1.63	–	7.0	44.9%	–	2.2%	1.17
	21/04/09	1.63	–	7.0	–	–	–	1.63
	30/10/09	2.24	–	7.0	–	–	–	2.24
	05/05/10	2.33	–	7.0	–	–	–	2.33
	05/05/10	2.33	–	7.0	46.7%	–	1.5%	1.30
	21/10/10	2.47	–	7.0	–	–	–	2.47
	12/04/11	2.60	–	7.0	–	–	–	2.60
	17/06/11	2.65	–	7.0	–	–	–	2.65
	21/10/11	2.63	–	7.0	–	–	–	2.63
	03/05/12	2.91	–	7.0	–	–	–	2.91
	16/10/12	2.81	–	7.0	–	–	–	2.81
Kingfisher Retention Share Scheme	21/04/08	1.28	–	7.0	–	–	–	1.28
Store Management Incentive Share	21/04/09	1.63	–	7.0	–	3.3%	–	1.48
Scheme	30/10/09	2.24	–	2.5	–	2.4%	–	2.11
UK and International Sharesave	26/10/06	2.65	1.97	5.5	28.1%	4.0%	4.0%	0.38
	01/11/07	1.90	1.55	5.5	25.5%	5.6%	5.0%	0.20
	29/10/08	1.09	1.09	3.5	36.3%	4.9%	3.4%	0.14
	29/10/08	1.09	1.09	5.5	30.8%	4.9%	3.8%	0.10
	03/11/09	2.24	1.72	3.5	43.6%	2.4%	2.2%	0.51
	03/11/09	2.24	1.72	5.5	36.4%	2.4%	2.9%	0.38
	28/10/10	2.39	1.87	3.5	44.3%	2.3%	1.1%	0.53
	28/10/10	2.39	1.87	5.5	37.3%	2.3%	1.9%	0.39
	26/10/11	2.64	1.99	3.5	39.1%	2.9%	0.9%	0.54
	26/10/11	2.64	1.99	5.5	37.6%	2.9%	1.4%	0.42
	19/10/12	2.85	2.17	3.5	25.9%	3.3%	0.4%	0.45
	19/10/12	2.85	2.17	5.5	37.6%	3.3%	0.9%	0.49
Executive Share Option Scheme	17/04/03	2.44	2.38	10.0	35.0%	4.0%	4.2%	0.64

(1) The Kingfisher Incentive Share Scheme includes the Company Share Option Plan ('CSOP') element of the KISS awards. Details of the CSOP element of the award are set out in the Director's Remuneration Report.

(2) Expected life is disclosed based on the UK schemes. For the KISS and PSP schemes in the UK, the expiry date is 7 years from the date of grant. Expiry of overseas KISS schemes and CSOP is 6 months from the date of vesting. Expiry of overseas PSP schemes is 1 year from the date of vesting.

(3) 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.

(4) The fair values of UK and International Sharesave awards granted on or before 1 January 2009 have been restated to reflect the 17 January 2008 amendment to IFRS 2 on vesting conditions and cancellations.

31 Cash generated by operations

£ millions	2012/13	2011/12
Operating profit	**695**	807
Share of post-tax results of joint ventures and associates	**(20)**	(32)
Depreciation and amortisation	**248**	237
Impairment losses	**8**	7
Loss on disposal of property, plant and equipment, investment property and intangible assets	**5**	7
Share-based compensation charge	**9**	32
Increase in inventories	**(191)**	(94)
Increase in trade and other receivables	**(6)**	(28)
Increase/(decrease) in trade and other payables	**19**	(65)
Movement in provisions	**14**	(24)
Movement in post employment benefits	**(51)**	(20)
Cash generated by operations	**730**	827

32 Net cash

£ millions	2012/13	2011/12
Cash and cash equivalents	**398**	587
Bank overdrafts	**–**	(102)
Cash and cash equivalents and bank overdrafts	**398**	485
Bank loans	**(68)**	(98)
Medium Term Notes and other fixed term debt	**(298)**	(478)
Financing derivatives	**71**	67
Finance leases	**(65)**	(64)
Net cash/(debt)	**38**	(88)

£ millions	2012/13	2011/12
Net (debt)/cash at beginning of year	**(88)**	14
Net decrease in cash and cash equivalents and bank overdrafts	**(106)**	(118)
Repayment of bank loans	**31**	10
Repayment of Medium Term Notes and other fixed term debt	**162**	30
Payment on financing derivatives	**–**	5
Capital element of finance lease rental payments	**12**	16
Cash flow movement in net debt	**99**	(57)
Exchange differences and other non-cash movements	**27**	(45)
Net cash/(debt) at end of year	**38**	(88)

33 Acquisitions

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

34 Commitments

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

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

£ millions	2012/13	2011/12
Less than one year	**461**	434
One to five years	**1,589**	1,555
More than five years	**2,637**	2,867
	4,687	4,856

The total of future minimum operating sublease receipts expected to be received is £203m (2011/12: £240m).

Capital commitments
Capital commitments contracted but not provided for by the Group amount to £36m (2011/12: £139m).

35 Contingent liabilities

The Group has arranged for certain guarantees to be provided to third parties in the ordinary course of business. Of these guarantees, only £1m (2011/12: £10m) would crystallise due to possible future events not wholly within the Group's control.

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

36 Related party transactions

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

	2012/13		2011/12	
£ millions	Income/ (expense)	Receivable/ (payable)	Income/ (expense)	Receivable/ (payable)
Transactions with Koçtaş Yapi Marketleri Ticaret A.S. in which the Group holds a 50% interest				
Provision of employee services	**(0.2)**	**(0.1)**	–	–
Commission and other income	**0.8**	**0.4**	0.9	1.0
Transactions with Hornbach Holding A.G. in which the Group holds a 21% interest				
Commission and other income	**0.9**	**0.1**	3.8	0.3
Other expenses	**–**	**–**	(0.3)	–
Transactions with Crealfi S.A. in which the Group holds a 49% interest				
Provision of employee services	**0.1**	**–**	0.1	–
Commission and other income	**4.3**	**0.3**	7.0	1.5
Transactions with Kingfisher Pension Scheme				
Provision of administrative services	**1.4**	**0.1**	1.1	–

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 remuneration of key management personnel is given in note 8.

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

ACCOUNTS

Independent auditors' report to the members of Kingfisher plc

We have audited the Group financial statements of Kingfisher plc for the year ended 2 February 2013 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity, the Consolidated balance sheet, the Consolidated cash flow statement and the related notes 1 to 36. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

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

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

Opinion on financial statements
In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 2 February 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

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

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

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

Other matter
We have reported separately on the Parent Company financial statements of Kingfisher plc for the year ended 2 February 2013.

Panos Kakoullis
Senior Statutory Auditor

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

25 March 2013

Company balance sheet

At 2 February 2013

£ millions	Notes	2012/13	2011/12
Fixed assets			
Tangible fixed assets	3	**–**	–
Investments	4	**6,978**	6,941
		6,978	6,941
Current assets			
Debtors due within one year	5	**3,414**	3,088
Debtors due after more than one year	5	**62**	75
Cash at bank and in hand		**124**	278
		3,600	3,441
Current liabilities			
Creditors: amounts falling due within one year	6	**(5,669)**	(5,318)
Net current liabilities		**(2,069)**	(1,877)
Total assets less current liabilities		**4,909**	5,064
Non-current liabilities			
Creditors: amounts falling due after more than one year	7	**(278)**	(315)
Provisions for liabilities	8	**(7)**	(6)
		(285)	(321)
Net assets excluding net pension asset		**4,624**	4,743
Net pension asset	9	**–**	6
Net assets		**4,624**	4,749
Capital and reserves			
Called up share capital	10	**373**	372
Share premium account	11	**2,204**	2,199
Other reserves	11	**711**	711
Profit and loss account	11	**1,336**	1,467
Equity shareholders' funds	12	**4,624**	4,749

The financial statements were approved by the Board of Directors on 25 March 2013 and signed on its behalf by:

Ian Cheshire
Group Chief Executive

Karen Witts
Group Finance Director

ACCOUNTS
Notes to the Company financial statements

1 Principal accounting policies

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

The directors of Kingfisher plc, having made appropriate enquiries, consider that adequate resources exist for the Company to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the financial statements for the year ended 2 February 2013. Refer to the Directors' statement of responsibility on page 33.

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

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

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

a. Foreign currencies

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

Principal rate of exchange against Sterling:

Euro	2012/13	2011/12
Year end rate	**1.15**	1.19

b. Tangible fixed assets

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

Fixtures and fittings	– between 4 and 20 years
Computers and electronic equipment	– between 3 and 5 years
Motor cars	– 4 years

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

c. Investments

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

d. Operating leases

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

e. Employee benefits

(i) Pensions

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

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

A net pension asset is only recognised to the extent that it is recoverable either through reduced future contributions or through agreed refunds from the scheme.

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 Group operates several equity-settled, share-based compensation schemes for the employees of the Company and its subsidiaries using the Company's equity instruments.

The fair value of the Company's employees' services received in exchange for the grant of options or deferred shares is

1 Principal accounting policies continued

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.

The fair value of the compensation given to subsidiaries in respect of share-based compensation schemes is recognised as a capital contribution over the vesting period. The capital contribution is reduced by any payments received from subsidiaries in respect of these schemes.

(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, 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; and
- 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.

2 Profit and loss account disclosures

The audit fee for the Company and the consolidated financial statements is disclosed in note 7 of the Kingfisher plc consolidated financial statements. Fees payable to Deloitte LLP and their associates for audit and non-audit services to the Company are not required to be disclosed because the Group financial statements disclose such fees on a consolidated basis. Details of the Company's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee Report on page 41.

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

£ millions	2012/13	2011/12
Wages and salaries	**21**	24
Social security costs	**3**	5
Pensions		
Defined contribution	**2**	1
Defined benefit (service cost only)	**1**	1
Share-based compensation	**7**	9
Employee benefit expenses	**34**	40

Number	2012/13	2011/12
Average number of persons employed		
Administration	**172**	170

Directors' remuneration and details of share option exercises are disclosed in the Directors' Remuneration Report on pages 45 to 59. Total Directors' remuneration for the year is £4.6m (2011/12: £4.4m).

3 Tangible fixed assets

£ millions	Fixtures, fittings and equipment
Cost	
At 29 January 2012	**4**
At 2 February 2013	**4**
Depreciation	
At 29 January 2012	**(4)**
At 2 February 2013	**(4)**
Net carrying amount	
At 2 February 2013	**–**
At 28 January 2012	–

4 Investments

£ millions	Investments in Group undertakings
At 29 January 2012	**6,941**
Capital contributions given relating to share-based payments	**71**
Contributions received relating to share-based payments	**(34)**
At 2 February 2013	**6,978**

The Directors consider that to give the full particulars of all subsidiary undertakings would lead to a statement of excessive length. In accordance with Section 410(2)(a) of the Companies Act 2006, the information below relates to those Group undertakings at the financial year end whose results or financial position, in the opinion of the Directors, principally affect the figures of the consolidated financial statements of Kingfisher plc. Details of all subsidiary undertakings will be annexed to the next Annual Return of Kingfisher plc to be filed at Companies House.

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

(1) The special shares in B&Q plc are owned 100% by Kingfisher plc and are non-voting.

(2) Held directly by Kingfisher plc.

(3) Owing to local conditions, these companies prepare their financial statements to 31 January.

(4) Castorama Dubois Investissements S.C.A. is 100% owned, of which 45% is held directly by Kingfisher plc.

(5) Holding companies for the Group's Chinese retailing operations, which have a 31 December year end.

(6) Owing to local conditions, this company prepares its financial statements to 31 December.

5 Debtors

£ millions	2012/13	2011/12
Amounts falling due within one year		
Owed by Group undertakings	**3,314**	3,014
Corporation tax	**71**	64
Derivatives	**28**	8
Other debtors	**1**	2
	3,414	3,088
Amounts falling due after more than one year		
Derivatives	**55**	65
Deferred tax assets	**7**	10
	62	75

6 Creditors: amounts falling due within one year

£ millions	2012/13	2011/12
Medium Term Notes and other fixed term debt	**32**	172
Derivatives	**1**	1
Owed to Group undertakings	**5,600**	5,097
Accruals and other payables	**36**	48
	5,669	5,318

7 Creditors: amounts falling due after more than one year

£ millions	2012/13	2011/12
Borrowings		
Medium Term Notes and other fixed term debt	**266**	306
	266	306
Derivatives	**12**	9
	278	315
Borrowings fall due for repayment as follows:		
One to two years	**78**	34
Two to five years	**49**	131
More than five years	**139**	141
	266	306

8 Provisions for liabilities

£ millions	Onerous property contracts
At 29 January 2012	**6**
Charge to income statement	**1**
At 2 February 2013	**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 asset

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

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

£ millions	2012/13	2011/12
Charge to operating profit	**2**	1

From July 2012 an enhanced defined contribution scheme has been offered to all Company employees. Eligible Company employees will be automatically enrolled into the defined contribution scheme from 31 March 2013.

Defined benefit scheme
Kingfisher plc is one of a number of Group companies that participate in the Kingfisher Pension Scheme, and therefore the Company has accounted for its share of the scheme assets and liabilities. The valuation of the scheme has been based on the most recent actuarial valuation as at 31 March 2010 and has been updated to 2 February 2013.

During the year, and following consultation with the active members, the UK final salary pension scheme was closed to future benefit accrual with effect from 30 June 2012. The scheme had been closed to new entrants in 2004. The closure to future accrual resulted in an exceptional non-cash curtailment gain of £1m, representing the one-off reduction in accounting liabilities as benefits are no longer linked to future salary increases other than in line with inflation. Furthermore, it resulted in a full provision against the net surplus being recognised at the curtailment date. This exceptional non-cash asset restriction loss of £6m reflects the requirements under UK accounting standards, which restrict the amount of surplus that can be recognised following the closure to future accrual of benefits.

In the prior year the Company entered into the second phase of an arrangement with the scheme Trustee to address an element of the scheme deficit. Further details on this arrangement are given in note 27 of the consolidated financial statements. As part of this arrangement, the Company made a contribution of £106m to the scheme and subsequently recharged the other participating Group entities based on their share of pensionable payroll, resulting in a net cash contribution of £3m.

Profit and loss account

£ millions	2012/13	2011/12
Amounts charged/(credited) to operating profit		
Current service cost	**1**	1
Curtailment gain	**(1)**	–
Asset restriction loss	**6**	–
	6	1
Amounts charged/(credited) to net finance costs		
Interest on defined benefit obligation	**3**	3
Expected return on pension scheme assets	**(3)**	(3)
	–	–
Total charged to profit and loss account	**6**	1

Balance sheet

£ millions	2012/13	2011/12
Present value of defined benefit obligation	**(59)**	(55)
Fair value of scheme assets	**67**	62
Net pension asset before provision for asset restriction and deferred tax	**8**	7
Provision for asset restriction	**(8)**	–
Net pension asset before deferred tax	**–**	7
Related deferred tax liability	**–**	(1)
Net pension asset	**–**	6

Movements in the net pension asset before deferred tax are as follows:

£ millions	Defined benefit obligation	Scheme assets	Total	Provision for asset restriction	Net
At 29 January 2012	**(55)**	**62**	**7**	**–**	**7**
Current service cost	**(1)**	**–**	**(1)**	**–**	**(1)**
Curtailment gain	**1**	**–**	**1**	**–**	**1**
Asset restriction loss	**–**	**–**	**–**	**(6)**	**(6)**
Interest on defined benefit obligation	**(3)**	**–**	**(3)**	**–**	**(3)**
Expected return on pension scheme assets	**–**	**3**	**3**	**–**	**3**
Actuarial (losses)/gains	**(3)**	**3**	**–**	**(2)**	**(2)**
Contributions paid by employer	**–**	**1**	**1**	**–**	**1**
Benefits paid	**2**	**(2)**	**–**	**–**	**–**
At 2 February 2013	**(59)**	**67**	**8**	**(8)**	**–**

9 Net pension asset continued

£ millions	Defined benefit obligation	Scheme assets	Total
At 30 January 2011	(45)	47	2
Current service cost	(1)	–	(1)
Interest on defined benefit obligation	(3)	–	(3)
Expected return on pension scheme assets	–	3	3
Actuarial (losses)/gains	(8)	9	1
Contributions paid by employer	–	5	5
Benefits paid	2	(2)	–
At 28 January 2012	(55)	62	7

The fair value of scheme assets is analysed as follows:

	2012/13		2011/12	
	£ millions	% of total	£ millions	% of total
Equities	**16**	**24%**	14	23%
Bonds	**40**	**60%**	38	61%
Property	**2**	**3%**	3	5%
Other	**9**	**13%**	7	11%
Total fair value of scheme assets	**67**	**100%**	62	100%

The actual return on pension scheme assets is as follows:

£ millions	2012/13	2011/12
Actual return on pension scheme assets	**6**	12

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

Amounts for current and previous four years

£ millions	2012/13	2011/12	2010/11	2009/10	2008/09
Present value of defined benefit obligation	**(59)**	(55)	(45)	(49)	(41)
Fair value of scheme assets	**67**	62	47	44	40
Net pension asset/(liability) before provision for asset restriction and deferred tax	**8**	7	2	(5)	(1)
Provision for asset restriction	**(8)**	–	–	–	–
Net pension asset/(liability) before deferred tax	**–**	7	2	(5)	(1)
Changes in assumptions underlying present value of defined benefit obligation	**(3)**	(8)	2	(6)	1
Percentage of defined benefit obligation	***5%***	*15%*	*(4%)*	*12%*	*(2%)*
Experience gains arising on defined benefit obligations	**–**	–	2	–	–
Percentage of defined benefit obligation	**–**	–	*(4%)*	–	–
Actual return less expected return on pension scheme assets	**3**	9	–	1	(7)
Percentage of scheme assets	***4%***	*15%*	–	*2%*	*(18%)*
Provision for asset restriction	**(2)**	–	–	–	–
Total (losses)/gains recognised in the profit and loss reserve in the year	**(2)**	1	4	(5)	(6)
Cumulative losses recognised in the profit and loss reserve	**(15)**	(13)			

Principal actuarial valuation assumptions

The assumptions used in calculating the costs and obligation of the defined benefit pension scheme 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.

9 Net pension asset continued

Annual % rate	2012/13	2011/12
Discount rate	**4.6**	4.5
Salary escalation	**n/a**	3.8
Rate of pension increases	**3.3**	3.0
Price inflation	**3.3**	3.0

% rate of return	2012/13	2011/12
Equities	**7.6**	7.6
Bonds	**3.5**	3.4
Property	**5.9**	5.8
Other	**4.7**	4.9
Overall expected rate of return	**4.7**	4.6

The mortality assumptions used in the actuarial valuations have been selected with regard to the characteristics and experience of the membership of the scheme from 2007 to 2010. The base mortality assumptions have been derived by adjusting standard mortality tables (SAPS tables) projected forward to 2010 with the medium cohort improvement factors for males and with the standard improvement factors for females. In addition, allowance has been made for future increases in life expectancy. For males, the allowance is in line with medium cohort improvements subject to a minimum rate of improvement of 1% pa, and for females, the allowance is in line with the average of the standard series and long cohort improvements, subject to a minimum of 1% pa. These improvements take into account trends observed within the scheme over the past decade and general population trends.

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

Years	2012/13	2011/12
Age to which current pensioners are expected to live (60 now)		
– Male	**86.4**	86.4
– Female	**87.1**	87.1
Age to which future pensioners are expected to live (60 in 15 years' time)		
– Male	**87.1**	87.1
– Female	**88.7**	88.7

10 Called up share capital

	Number of ordinary shares millions	Ordinary share capital £ millions
At 29 January 2012	**2,369**	**372**
New shares issued under share schemes	**3**	**1**
At 2 February 2013	**2,372**	**373**
At 30 January 2011	2,364	371
New shares issued under share schemes	5	1
At 28 January 2012	2,369	372

11 Reserves

£ millions	Share premium account	Other reserves	Profit and loss account	Total
At 29 January 2012	**2,199**	**711**	**1,467**	**4,377**
Profit for the year	**–**	**–**	**8**	**8**
Actuarial losses on defined benefit pension scheme	**–**	**–**	**(2)**	**(2)**
Share-based compensation	**–**	**–**	**7**	**7**
Capital contributions given relating to share-based payments	**–**	**–**	**71**	**71**
New shares issued under share schemes	**5**	**–**	**–**	**5**
Own shares issued under share schemes	**–**	**–**	**6**	**6**
Dividends	**–**	**–**	**(221)**	**(221)**
At 2 February 2013	**2,204**	**711**	**1,336**	**4,251**

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 2 February 2013 is £60m (2011/12: £134m).

12 Reconciliation of movement in equity shareholders' funds

£ millions	2012/13	2011/12
Profit for the year	**8**	510
Dividends	**(221)**	(178)
	(213)	332
Actuarial (losses)/gains on defined benefit pension scheme	**(2)**	1
Share-based compensation	**7**	9
Capital contributions given relating to share-based payments	**71**	–
New shares issued under share schemes	**6**	6
Own shares issued under share schemes	**6**	11
Own shares purchased	**–**	(117)
Net (decrease)/increase in equity shareholders' funds	**(125)**	242
Equity shareholders' funds at beginning of year	**4,749**	4,507
Equity shareholders' funds at end of year	**4,624**	4,749

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 45 to 59, are shown below:

	Date of grant	Exercisable from	Exercise price £	2012/13 Options Number	2011/12 Options Number
Kingfisher Incentive Share Scheme	21/04/09	21/04/12	–	**207,009**	2,620,537
	06/04/10	06/04/13	–	**2,198,684**	2,472,705
	05/05/10	05/05/13	–	**5,126,662**	5,841,849
	12/04/11	12/04/14	–	**3,763,341**	4,237,554
	06/05/11	06/05/14	–	**646,141**	722,680
	25/04/12	25/04/15	–	**4,388,519**	–
				16,330,356	15,895,325
Restricted Awards	20/11/08	01/04/12	–	**–**	20,000
	01/04/09	01/04/12	–	**–**	70,000
	06/04/10	21/04/11	–	**42,190**	42,190
	06/04/10	21/04/12	–	**65,835**	65,835
	06/04/10	21/04/13	–	**19,762**	19,762
	30/04/10	21/04/12	–	**–**	12,065
	24/08/10	24/08/13	–	**23,095**	23,095
	18/01/11	09/06/13	–	**6,815**	6,815
	21/02/11	01/06/12	–	**12,533**	12,533
	21/02/11	01/06/13	–	**21,268**	21,268
	21/02/11	01/06/14	–	**4,557**	4,557
	21/02/11	01/06/15	–	**1,709**	1,709
	26/04/11	21/04/12	–	**25,569**	49,308
	03/01/12	31/05/12	–	**–**	17,308
	03/01/12	21/05/13	–	**6,344**	6,344
	03/01/12	31/05/14	–	**10,300**	10,300
	16/10/12	16/01/14	–	**5,975**	–
				245,952	383,089
Performance Share Plan	01/02/08	01/02/12	–	**1,299,709**	1,257,267
	21/04/08	21/04/12	–	**867,504**	8,870,842
	24/07/08	24/07/12	–	**–**	1,460,627
	01/10/08	01/10/11	–	**745,856**	721,402
	01/10/08	01/02/12	–	**745,856**	721,402
	01/10/08	01/10/12	–	**303,212**	1,382,616
	21/04/09	21/04/12	–	**412,486**	3,900,823
	30/10/09	21/04/12	–	**2,509**	623,860
	30/10/09	21/04/13	–	**–**	289,681
	05/05/10	05/05/13	–	**8,240,710**	9,143,902
	21/10/10	21/04/12	–	**28,586**	52,258
	21/10/10	05/05/13	–	**72,128**	69,776
	12/04/11	05/05/13	–	**164,945**	160,208
	17/06/11	17/06/14	–	**8,264,108**	9,075,581
	17/06/11	17/06/15	–	**8,242,011**	9,075,677
	21/10/11	05/05/13	–	**22,095**	59,297
	21/10/11	17/06/14	–	**142,346**	159,021
	21/10/11	17/06/15	–	**142,351**	159,021
	03/05/12	17/06/14	–	**424,398**	–
	03/05/12	17/06/15	–	**424,407**	–
	16/10/12	17/06/14	–	**583,611**	–
	16/10/12	17/06/15	–	**583,619**	–
				31,712,447	47,183,261

13 Share options continued

	Date of grant	Exercisable from	Exercise price £	2012/13 Options Number	2011/12 Options Number
Kingfisher Retention Share Scheme	21/04/08	21/04/12	–	**145,000**	1,530,000
				145,000	1,530,000
Store Management Incentive Share Scheme	21/04/09	21/04/12	–	**231,000**	6,093,077
	30/10/09	21/04/12	–	**–**	1,187,642
				231,000	7,280,719
UK and International Sharesave	26/10/06	01/12/11	1.97	**–**	198,143
	01/11/07	01/12/12	1.55	**139,052**	865,966
	29/10/08	01/12/11	1.09	**–**	712,663
	29/10/08	01/12/13	1.09	**3,116,385**	3,292,782
	03/11/09	01/12/12	1.72	**371,226**	2,579,091
	03/11/09	01/12/14	1.72	**1,087,075**	1,192,388
	28/10/10	01/12/13	1.87	**1,285,330**	1,460,422
	28/10/10	01/12/15	1.87	**599,082**	694,101
	26/10/11	01/12/14	1.99	**2,862,161**	3,370,553
	26/10/11	01/12/16	1.99	**530,998**	643,891
	19/10/12	01/12/15	2.17	**2,275,239**	–
	19/10/12	01/12/17	2.17	**467,618**	–
				12,734,166	15,010,000
Executive, International Executive	09/04/02	09/04/05	2.90	**–**	1,194,689
and Phantom Share Option Schemes	09/04/02	09/04/06	2.86	**–**	701,976
	08/10/02	08/10/05	1.95	**–**	763,347
	08/10/02	08/10/06	1.95	**–**	521,309
	17/04/03	17/04/06	2.38	**436,215**	1,365,947
	17/04/03	17/04/07	2.38	**331,890**	599,100
				768,105	5,146,368
Total				**62,167,026**	92,428,762

The Kingfisher Incentive Share Scheme ('KISS') and Performance Share Plan are described as part of the Directors' Remuneration Report on pages 45 to 59.

Restricted Awards are granted as one-off compensatory awards granted under the rules of the KISS. They are nil cost options, as with the KISS, but do not accrue dividends until after they are exercised. Vesting dates may vary according to individual grants.

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

The Store Management Incentive Share Scheme provided provisional awards to store managers in 2009 with vesting dates of April 2011 and April 2012. There are performance conditions based on store standards and an award will lapse if these are not maintained throughout the performance period. These awards do not accrue dividends during the vesting period.

Under the UK Sharesave scheme, eligible UK employees have been invited to enter into HMRC approved savings contracts for a period of three or five years, whereby shares may be acquired with repayments under the contract. The option price is the average market price over three days prior to an offer to subscribe, discounted by 20%. Options are exercisable within a six month period from the conclusion of a three or five year period. The International Sharesave scheme, which operates along similar lines to the UK Sharesave scheme, includes eligible employees in certain overseas locations.

The last grant of options under the Executive, International Executive and Phantom Share Option Schemes was made in April 2003. Under these schemes, participants received a bi-annual grant of options based on their position in the Group. These options are normally exercisable from the third anniversary of the date of the grant (up to the tenth anniversary), except where the performance condition has not been met, in which case this date is deferred accordingly. The performance conditions for all options have now been met. 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 £95m (2011/12: £148m) to enable it to acquire shares in Kingfisher plc. The shares are used to satisfy options awarded under the KISS, Performance Share Plan, Kingfisher Retention Share Scheme, Store Management Incentive Share Scheme, Executive, International Executive and Phantom Share Option Schemes.

The ESOP's shareholding at 2 February 2013 is 21 million shares (2011/12: 46 million shares) with a nominal value of £3m (2011/12: £7m) and a market value of £57m (2011/12: £119m). Dividends on these shares were waived for the interim and final dividends.

14 Contingent liabilities

The Company has arranged for certain guarantees to be provided to third parties in the ordinary course of business. Of these guarantees, £nil (2011/12: £4m) would crystallise due to possible events not wholly within the Company's control.

15 Related party transactions

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

	2012/13		2011/12	
£ millions	Income/ (expense)	Receivable/ (payable)	Income/ (expense)	Receivable/ (payable)
Transactions with Koçtaş Yapi Marketleri Ticaret A.S. in which the Group holds a 50% interest				
Provision of employee services	**(0.1)**	**–**	–	–
Commission and other income	**0.3**	**0.2**	0.4	0.4
Transactions with Hornbach Holding A.G. in which the Group holds a 21% interest				
Commission and other income	**–**	**–**	0.1	–
Other expenses	**–**	**–**	(0.3)	–
Transactions with Kingfisher Pension Scheme				
Provision of administrative services	**1.4**	**0.1**	1.1	–

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.

Directors' remuneration and details of share option exercises are disclosed in the Directors' Remuneration Report on pages 45 to 59.

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

ACCOUNTS

Independent Auditors' report to the members of Kingfisher plc

We have audited the Company financial statements of Kingfisher plc for the year ended 2 February 2013 which comprise the Company balance sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

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

Opinion on financial statements
In our opinion the Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 2 February 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the Company financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the Group financial statements of Kingfisher plc for the year ended 2 February 2013 and on the information in the Directors' remuneration report that is described as having been audited.

Panos Kakoullis
Senior Statutory Auditor

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

25 March 2013

Group five year financial summary

£ millions	2008/09 52 weeks	2009/10 52 weeks	2010/11 52 weeks	2011/12 52 weeks	2012/13 53 weeks[1]
Income statement					
Sales	10,026	10,503	10,450	10,831	**10,573**
Retail profit	503	664	762	882	**781**
Central costs	(41)	(41)	(41)	(43)	**(42)**
Share of interest and tax of joint ventures and associates	(16)	(17)	(17)	(20)	**(18)**
Operating profit before exceptional items	446	606	704	819	**721**
Net finance costs before financing fair value remeasurements	(78)	(59)	(34)	(12)	**(6)**
Adjusted pre-tax profit	368	547	670	807	**715**
Exceptional items	(273)	17	(6)	(12)	**(26)**
Financing fair value remeasurements	(5)	2	7	2	**2**
Profit before taxation	90	566	671	797	**691**
Income tax expense	(88)	(181)	(180)	(158)	**(127)**
Profit from continuing operations	2	385	491	639	**564**
Balance sheet					
Goodwill and other intangible assets	2,469	2,465	2,481	2,520	**2,565**
Property, plant and equipment and investment property	3,723	3,636	3,664	3,722	**3,814**
Investments in joint ventures and associates	219	234	259	271	**289**
Net current liabilities[2]	(278)	(648)	(576)	(290)	**(128)**
Post employment benefits	(74)	(198)	(58)	(15)	**–**
Other net non-current liabilities[2]	(257)	(284)	(324)	(393)	**(422)**
Capital employed	5,802	5,205	5,446	5,815	**6,118**
Equity shareholders' funds	4,783	4,945	5,452	5,719	**6,148**
Non-controlling interests	15	10	8	8	**8**
Net debt/(cash)	1,004	250	(14)	88	**(38)**
Capital employed	5,802	5,205	5,446	5,815	**6,118**
Other financial data					
Like-for-like sales growth	(4.1%)	(1.5%)	(0.9%)	1.3%	**(2.9%)**
Effective tax rate	31%	30%	29%	28%	**27%**
Basic earnings per share (pence)	0.2	16.5	21.0	27.5	**24.1**
Adjusted basic earnings per share (pence)	11.0	16.4	20.5	25.1	**22.3**
Dividend per share (pence)	5.325	5.5	7.07	8.84	**9.46**
Gross capital expenditure[3]	390	256	310	450	**316**

(1) Like-for-like sales growth in 2012/13 is calculated by comparing 53 weeks against the equivalent 53 weeks of the prior year. This only impacts the UK & Ireland businesses with all of the other businesses reporting on a calendar basis. The effect of the 53rd week on the results of the Group is the inclusion of an additional £72m sales and an immaterial benefit to retail profit.

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

(3) Excluding business acquisitions.

ACCOUNTS
Shareholder information

Annual General Meeting
The Annual General Meeting of Kingfisher plc will be held on Thursday, 13 June 2013 at 11.00am at the Paddington London Hilton Hotel, 146 Praed Street, London W2 1EE.

Financial calendar
The proposed financial calendar for 2013/14 is as follows:

First quarter results	30 May 2013
Pre-close first half trading results	24 July 2013
Interim results to 27 July 2013	11 September 2013
Third quarter results	28 November 2013
Fourth quarter results	February 2014
Preliminary results to 1 February 2014	March 2014

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0870 702 0129
Website: http://www.investorcentre.co.uk

Shareholder enquiries
Any queries that shareholders have regarding their shareholdings, such as a change of name or address, transfer of shares, lost share certificates or dividend cheques, should be referred to the Registrar using the contact details above. A Shareholder Helpline is available on UK business days between 8.30am and 5.30pm and contains an automated self-service functionality which is available 24 hours a day.

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

- **Telephone share dealing**: Commission is 1%, plus £35; stamp duty at 0.5% is payable on purchases. The service is available from 8.00am to 4.30pm Monday to Friday excluding bank holidays. Telephone: 0870 703 0084.
- **Internet share dealing**: Commission is 1%, subject to a minimum charge of £30; stamp duty at 0.5% is payable on purchases. The service is available to place orders out of market hours.

Simply log onto http://www.investorcentre.co.uk.

Terms and conditions of both of these services can be obtained by calling 0870 702 0129.

Unauthorised brokers (boiler room scams)
Kingfisher plc is legally obliged to make its share register available to the general public. Consequently some shareholders may receive unsolicited mail, including correspondence from unauthorised investment companies. We have become aware that some shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based brokers who target UK shareholders offering to sell what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. Details of any share dealing facilities that the Company endorses will be included in Company mailings.

Share price history

	£ per ordinary share*		Dollars per ADR**	
Financial year	High	Low	High	Low
2012/13	3.14	2.54	9.98	7.81
2011/12	2.87	2.17	9.34	6.91
2010/11	2.72	1.96	8.16	5.93
2009/10	2.47	1.18	8.24	3.15
2008/09	1.53	0.91	5.45	3.53

* Based on the daily closing price of Kingfisher plc shares on the London Stock Exchange

** Based on the daily closing price of Kingfisher plc ADR's in the Over-the-Counter (OTC) market

Dividend
The interim dividend for the financial year ended 2 February 2013 of 3.09p per share was paid on 16 November 2012.

The table below provides the payment information for the final dividend of 6.37p per share, subject to shareholder approval at the Annual General Meeting on 13 June 2013:

Ex-dividend date	8 May 2013
Record date	10 May 2013
Final date for return of DRIP mandate forms/currency elections	24 May 2013
Euro exchange rate notification	29 May 2013
Payment date and DRIP purchase	17 June 2013

Payment methods
Shareholders can elect to receive their dividends in a number of ways:

- **Cheque** cash dividends will automatically be paid to shareholders by cheque, which will be sent by post to the shareholder's registered address;
- **BACS** cash dividends can be paid by mandate directly to a UK bank or building society account through the BACS system. This method of payment reduces the risk of your cheque being intercepted or lost in the post. Shareholders wishing to receive their dividends in this way can update their mandate instructions at www.investorcentre.co.uk or should complete a dividend mandate form and return it to the Registrars;
- **Dividend Reinvestment Plan (DRIP)** the Company also offers shareholders a DRIP, whereby shareholders can use their cash dividend to buy further shares in the Company. Shareholders can apply online at www.investorcentre.co.uk or complete a mandate form and return it to the address shown above; and
- **Global Payments Service** this service, provided by the Registrar enables shareholders to have dividend payments paid directly into their bank account in their chosen local currency. To view terms and register, please visit www.computershare.com/uk/investor/GPS.

American Depositary Receipt (ADR)
The Company has a Sponsored Level 1 ADR programme in the United States. Each ADR represents two Kingfisher shares.

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

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

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

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

Document viewing
Shareholders will have the opportunity to view certain documentation as outlined in the Notice of Annual General Meeting from at least 15 minutes prior to the meeting, until its conclusion. The Articles of Association of the Company and other documentation referred to in this Annual Report can be viewed at the registered office during normal business hours.

Company Secretary and Registered Office
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Kingfisher plc
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Registered in England and Wales
Registered Number 01664812

Forward-looking statements
Certain statements included in this Annual Report and Accounts are forward-looking and should be considered, amongst other statutory provisions, in light of the safe harbour provisions of the United States Private Securities Litigation Reform Act of 1995. All statements other than historical facts may be forward-looking statements. Such statements are therefore subject to risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied because they relate to future events. These forward-looking statements include, but are not limited to, statements relating to the Company's expectations around the Company's programme known as 'Creating the Leader' and its associated eight steps.

Forward-looking statements can be identified by the use of relevant terminology including the words: "believes", "estimates", "anticipates", "expects", "intends", "plans", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology and include all matters that are not historical facts. They appear in a number of places throughout this Annual Report and Accounts and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, changes in tax rates, liquidity, prospects, growth, strategies and the businesses we operate.

Other factors that could cause actual results to differ materially from those estimated by the forward-looking statements include, but are not limited to, global economic business conditions, monetary and interest rate policies, foreign currency exchange rates, equity and property prices, the impact of competition, inflation and deflation, changes to regulations, taxes and legislation, changes to consumer saving and spending habits; and our success in managing these factors.

Consequently, our actual future financial condition, performance and results could differ materially from the plans, goals and expectations set out in our forward-looking statements. Reliance should not be placed on any forward-looking statement. The forward-looking statements contained herein speak only as of the date of this Annual Report and the Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

Kingfisher is included in two socially responsible indices, the FTSE4Good and Dow Jones Sustainability Indexes.

For more information please visit **www.kingfisher.com**

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