Kingfisher

BETTER HOMES, BETTER LIVES

Annual Report and Accounts 2014/15

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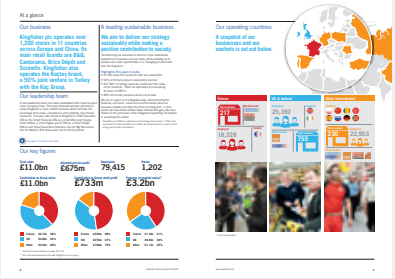
CEO's Q&A interview p06

Kingfisher's new CEO Véronique Laury discusses her initial thoughts about the business.

Kingfisher at a glance p02

Our key figures and operating companies around the world.



Further communications

Increasing numbers of our shareholders are choosing to receive their annual report online, which helps us reduce the impact on the environment through lower paper usage.

The online version, available at www.kingfisher.com, enables you to download a bespoke report to your computer desktop.

Strategic update p12

Read in detail about the strategic plans for Kingfisher.

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BETTER HOMES, BETTER LIVES

To help and inspire millions of people to improve their homes.

Our business

Kingfisher plc operates over 1,200 stores in 11 countries across Europe and China. 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.

Our leadership team

A new leadership team has been established with more focused cross-company roles. This truly international team will work to make Kingfisher a more unified business which will take full advantage of its scale, competence and creativity, and shared resources. The team will consist of Kingfisher's Chief Executive Officer, the Chief Financial Officer, a Chief Offer and Supply Chain Officer, a Chief Digital and IT Officer, a Chief People Officer and three Operations Directors: one for Big Box stores, one for Medium Box stores and one for Omnichannel.

See page 32 for further information

A leading sustainable business

We aim to deliver our strategy sustainably while making a positive contribution to society.

Transforming our business to become more sustainable supports our business success today while enabling us to prepare and seize opportunities in a changing environment over the long-term.

Highlights this year include:

- £2.4bn sales from products with eco credentials
- 92% of timber products responsibly sourced
- 8.6 TWh* of energy saved by customers from sales of our products – that's an estimated annual saving for them of £597m
- 805 community projects carried out to date

We aim to report in an integrated way, demonstrating the financial, economic, social and environmental value our business creates over both the short and long term. In this report, we have taken further steps towards this goal. We have drawn on the principles of the Integrated Reporting Framework in preparing this report.

* Terawatt-hours (TWh) is a standard unit of energy measurement. 1 TWh is the equivalent of 1 billion kilowatt hours (kWh), the measure which is used in home energy consumption calculations.

Our key figures

Total sales
£11.0bn

Adjusted pre-tax profit*
£675m

Employees
79,415

Stores
1,202

Contribution to Group sales
£11.0bn

France	£4.1bn	38%
UK	£4.6bn	42%
Other	£2.3bn	20%

Contribution to Group retail profit*
£733m

France	£349m	48%
UK	£276m	37%
Other	£108m	15%

Property (at market value)**
£3.2bn

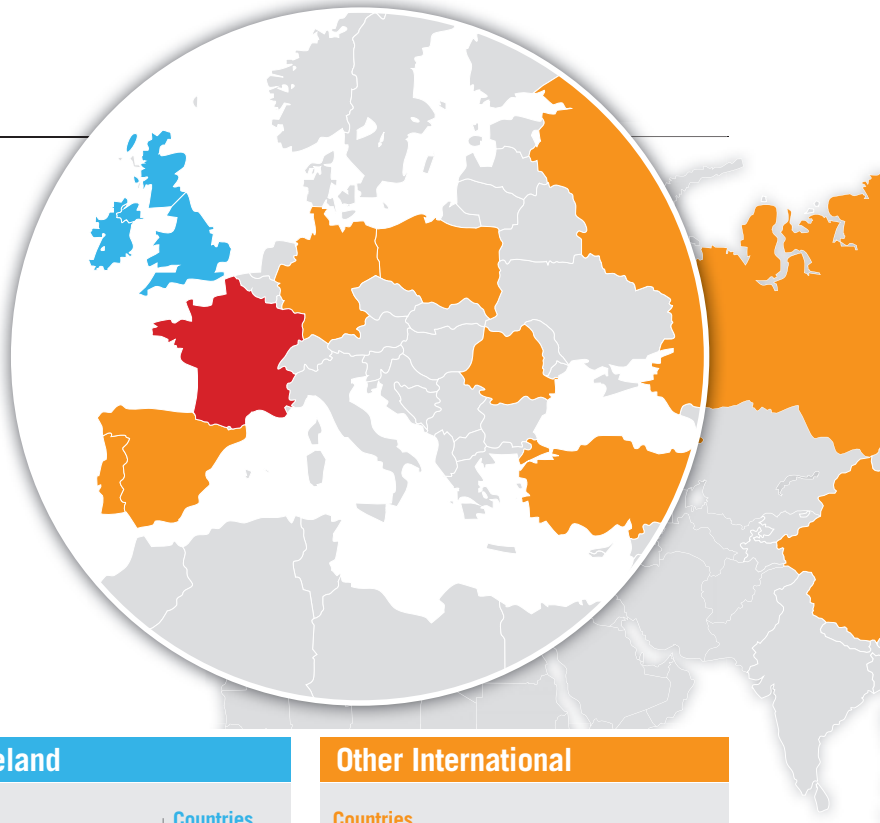
France	£1.3bn	41%
UK	£0.8bn	24%
Other	£1.1bn	35%

* See the Financial Review on pages 18 to 25

** On a sale and leaseback basis with Kingfisher in occupancy

Our operating countries

A snapshot of our businesses and our markets is set out below.



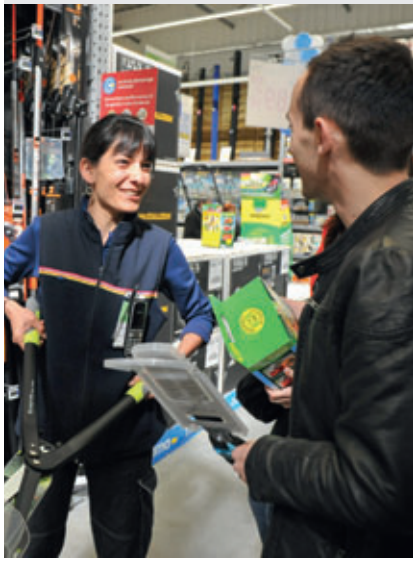
France

Store numbers
217

Market brands
castorama
BRICO DEPOT

Employees*
18,328

Country



UK & Ireland

Employees*
25,392

Countries

Market brands
B&Q
SCREWFIX

Store numbers
755

Other International

Countries

Store numbers
230

Employees*
22,953

Market brands
castorama
SCREWFIX
B&Q
BRICO DEPOT
koçtaş

* Full time equivalent

Key highlights

Adjusted pre-tax profit*
£675m
(7.5)%

Adjusted basic earnings per share*
20.9p
(8.3)%

Full year dividend
10.0p
+1%

Profit before taxation
£644m
(15.2)%

Profit for the year
£573m
(19.3)%

Basic earnings per share
24.3p
(19.0)%

* See Financial Review

It has been a year of major change at Kingfisher, with the appointment of a new Chief Executive Officer and significant developments within the portfolio of our businesses.

In September 2014 Kingfisher announced a Group CEO succession plan, with Sir Ian Cheshire stepping down after seven years in the role. The succession plan recognised that the next five years of Kingfisher's evolution will be particularly busy, with several long-term projects underway. With this in mind, and with Ian having already served 16 years with the business and 14 years on the Board, Ian stepped down as Kingfisher Group CEO in December. On behalf of the Board, I would like to thank him for his leadership, which transformed Kingfisher into a stronger business during a difficult economic time. I wish Ian well in the future.

Kingfisher was delighted to announce the appointment of Véronique Laury as Ian's successor. Véronique is uniquely qualified for the role, having spent 26 years in the home improvement sector and 11 at Kingfisher, most recently as CEO of Castorama France. An outstanding retailer, Véronique is passionate about helping customers have better homes, and I am sure she will provide the leadership, energy and pace to deliver the next stage of our strategic journey.

Véronique's vision for Kingfisher is to leverage the scale of the business by becoming a single, unified company rather than a collection of individual businesses. Achieving this will mean organising ourselves differently. Key areas of focus will include deeper insight into customer needs which will then be applied consistently across the business, selling more similar product ranges across our operations and adopting a more unified approach to formats, systems and people. We aim to move at pace, with work already underway to develop a unified garden and bathroom offer across Kingfisher and plans to address excess selling space at B&Q UK.

Helped by these dynamic actions, we aim to drive more shareholder value over the medium term by achieving a combination of higher sales, maintained gross margins, lower costs and capital discipline. You can read more about Véronique's plans in the CEO interview on pages 6-9 and in the strategic update on pages 12-17.

Also in the year, Kingfisher announced the completion of the disposal of our stake in Hornbach and a binding agreement to sell a 70% stake in B&Q China to Wumei Holdings for a cash consideration of £140m. In addition, Screwfix opened its first stores in Germany (its first overseas market) alongside a nationwide online delivery service.

Turning to our financial performance last year, the results reflect a mixed picture across our markets, with the UK picking up but continental Europe, particularly France, proving to be a more challenging environment. In France, the slower economy and declining housing market affected our performance, particularly for our more construction-oriented business, Brico Dépôt.

In the UK & Ireland, retail profit grew, helped by initiatives to re-energise B&Q and by better demand for trade products as housing and construction activity improved. Screwfix had another outstanding year, with sales up by 25.5%. The business opened 60 net new stores in the year whilst continuing to develop its industry-leading omnichannel offer.

Our aim is to deliver our strategy sustainably and we continued to make good progress in this area. Sales from products with eco credentials reached £2.4bn and, to date, we have installed LED lighting in 15% of our store estate, which will save us around £3m per annum. We continue to integrate our sustainable plans within our business and aim to reflect that in our move towards a more integrated approach to financial reporting. You can read more about our commitment to sustainable growth in the CEO interview, the Business model, and the strategic update.

Despite Group pre-tax profits declining by 7.5% to £675m, the Board is very confident in the future prospects of the business. This is underlined by the ordinary dividend of 10.0p (+1%) and the capital returns programme which started during the year and was the first such programme in Kingfisher's history. £200m was returned to shareholders during the year, via a special dividend and share buy-back programme. This programme will continue in 2015/16 with a further £200m planned for the year.

One other Board change during the year saw Philippe Tible step down from the Board in July. Philippe spent 11 years at Kingfisher, most recently as CEO Castorama & Brico Dépôt brands. I would like to thank Philippe for his important work developing our businesses in France and, more recently, in Eastern Europe. He put in place a first class management team and nurtured a pipeline of executive talent which will benefit the business enormously in the future.

As always, I would like to pay tribute to Kingfisher's 79,000 staff across our businesses. They continue to do a tremendous job and will be crucial in helping deliver the Board's vision of Kingfisher's future. It is an exciting time and I believe we can look forward to the next stage of Kingfisher's development with great optimism.

Daniel Bernard
Chairman

See pages 18-25 to find out more information on our financial performance

MY FIRST 120 DAYS

as Kingfisher CEO

In my first few months I have visited all the countries in which we operate, I have been to every operating company, met the local Boards and visited people's homes. Looking at the way people live it is clear to me that customers' needs are more similar than different.

Véronique Laury
Chief Executive Officer

"Home improvement is a great market with huge potential. It's a top spending priority for consumers as people want a better home and a better life."

Q How do you feel about being appointed CEO of Kingfisher?

A I am delighted and honoured to be Kingfisher's CEO. It's a great business and I am proud to lead it. I would like to thank Sir Ian Cheshire for all his help and advice over my 11 years at Kingfisher. He built really strong foundations which I aim to build on, an appropriate message for a home improvement company! I know the business and the people well, so I know how much opportunity there is for our Company. I am excited by the challenge.

Q You've worked in home improvement for your entire career. What is it about the industry that you enjoy?

A Yes, I've worked in home improvement for 26 years so I feel I know our market as well as anyone. Some might say it's not very glamorous but I think it is. Not only have I worked in home improvement all my working life but I have also been involved in the complete renovation of three homes in France over the years. People's homes are their most important asset and they also have a strong emotional commitment to them. That emotional commitment makes home improvement a great business to be in - you are helping people improve their home. It is a positive business and a fast-moving one. That makes it very enjoyable.

Q You've only been CEO for a few months, what are your first impressions?

A In my first three months I visited all our countries and visited customers' homes in each one. One of the things those visits made clear to me was how similar people's needs are. They want more space, more light, better storage. The second point is the energy and enthusiasm of our staff. We are fortunate to have such a loyal, hard-working group of colleagues and one of my priorities will be to ensure that Kingfisher is a great company that people want to work for.

Q Having reviewed the Company's business and strategy, what were your key findings?

A The first point is that home improvement is a great market with huge potential. It's a big market, worth £235bn in Europe and it's still largely fragmented, so there is plenty of scope to grow. Home improvement is a top spending priority for consumers as people want a better home and a better life. These human needs are being fuelled further by socio-economic trends across the world. These include changing demographics (such as ageing populations and more people working from home), urbanisation (which means that homes are generally getting smaller), more home technology, rising energy costs and more and more regulatory requirements. Another factor is the rise in specialist communities as people look to share information, ideas and know-how in all sorts of areas from music, to car sharing, to holidays. Home improvement can be one of those communities. Kingfisher is also in a great position within the market. We serve over a million customers a day, we have market leading positions and buying scale of more than £7bn a year. But I am very clear that we can make more of the assets we have. To achieve these ambitions we will need to organise ourselves very differently.

Q You are talking about organising Kingfisher in a more unified way than before. Can you describe how this will work in practice?

A Kingfisher has made good progress over the years in terms of its individual businesses working more closely together, on things like direct sourcing and own brand development. But they still basically operate in individual silos, with only limited sharing. For example, Kingfisher's businesses sell a combined total of nearly 400,000 skus (stock keeping units) across the top five operating companies (B&Q UK, Screwfix, Castorama France and Poland, Brico Dépôt France). That is too many and shows that there has been proliferation at the local level.

Of these skus, only 7,000 are sold by more than one of our businesses. Again, this shows that we have not been making the most of our scale. Going forward, our aim is to organise the business in a more unified way. This will enable individual country management teams to concentrate on what they do best, running their stores and hiring great people.

Q Is there a risk with this level of change?

A To be honest I think there is a bigger risk in not doing it. If Kingfisher is to make the most of its scale and unlock its potential, then I believe we need to organise ourselves in a very different way. We have appointed a new leadership team structured along these lines, including roles which will head up our 'Big Box' stores, our 'Medium-Box' stores and Omnichannel operations worldwide too.

Q You've recently named your leadership team. Can you tell us about the mix of skills and experience they have?

A The new leadership team combines existing and new talent with cross-company roles that are more focused. We recently announced that Arja Taaveniku will be joining Kingfisher as Chief Offer & Supply Chain Officer. From 1994 to 2012 she held a variety of senior roles at IKEA of Sweden. We will also be appointing a new Chief People Officer in due course. They will join existing members of the leadership team, our Chief Financial Officer, Karen Witts, and our three Operations Directors, Guy Colleau, Alain Souillard and Steve Willett.

Q You've announced significant changes to the B&Q UK store portfolio. Can you explain your thinking and whether similar changes might be needed in other markets?

A Kingfisher has said for some time that B&Q can meet local customer needs from fewer stores and that some of our branches could be smaller. We announced the first phase of this plan in 2013 and have now announced the second phase, which was based on a catchment by catchment review of all our local trading areas, designed to retain customers and sales. This involves the closure of 15% of B&Q's space and the right-sizing of six further stores. We are looking to close a small number of loss-making stores in continental Europe as well. As we build for the future we will also be starting a revitalisation programme at our Big Box stores across Europe, drawing on our latest, most developed formats from around the Company.

Q You've announced a deal to sell a controlling stake in B&Q China. Was it a disappointment to withdraw from such a promising market?

A China is a market with great potential, but it is also a very difficult market and our business there was loss-making. I am delighted to have found a strong retail partner who will help us release the financial value of our business in China and enable us to focus our resources on Europe, where there are significant opportunities for growth.

Q Kingfisher has been a big champion of sustainability. Will it be important under your leadership?

A We are committed to delivering our strategy in a sustainable way and this approach should become business as usual. There are a broad range of opportunities in this area. These include commercial opportunities to help support our success today, while enabling us to grasp those that come from a changing environment over the long term, as well as the social and community aspects of sustainability. I want Kingfisher to be a great company that people want to work for, and that has a fair and equitable approach to business. There are also significant opportunities in creating communities around home improvement, as it's an area where people want ideas and advice. The collaborative economy is very interesting for us.

Q You are one of the few female CEOs in the FTSE100. Is enough being done to address this?

A I think things are heading in the right direction, but it takes time. For my own part, I hope that I am a good example for all the young women out there who want to become chief executives. I have not done anything differently from a man. I have just been passionate about what I was doing and been true to my convictions. Hopefully, I provide the proof that it's possible. The key for a business is to have a pipeline of talent that you can develop and promote from.

Q If you look forward 5-10 years, what sort of Kingfisher would you like to see?

A I would like us to be the leading home improvement company; genuinely international in scope, innovative and unique in what we offer customers and a real community for people who are interested in home improvement, or want to learn. I am passionate about working with all our people to make those things happen and help our customers have better homes and better lives.

Véronique Laury
Chief Executive Officer

Conclusions

- Home improvement is a great market with huge potential
- We are right to focus on Europe+*
- We can achieve significant benefits from developing a more common, unique and effective offer
- There is no one, clear winning format or channel in our market today
- We can achieve significant benefits from unifying activities and standardising processes

*Europe+ consists of Europe and its bordering countries, e.g. Russia and Turkey

Our business model

What we do

Kingfisher is a home improvement company specialising in the sale of home improvement products and services.

The vast majority of our sales take place through our 1,202 stores in 11 countries across Europe and in China and increasingly through our omnichannel presence.

How we do it

In the broadest sense, our business creates value for society in a number of ways. We help people to have better homes for themselves and their families, and we have a long heritage of helping them do this in a more sustainable way. We operate in the heart of local communities, supporting local projects, positively impacting the environment and, importantly, providing local employment. Over 79,000 people work in our businesses and many more work for our suppliers. In addition, we contributed £1.7 billion in 2014/15 to the economies in which we operate through taxes paid and collected. We aim to do more than minimise our impact; instead, we aspire to have a positive one. We call this sustainable ambition Net Positive and we believe this gives us a 'licence to operate' for the long term.

Financial value

This section concentrates on the financial value that we create – that is, the cash we generate. Cash is the life-blood of any business as it can be reinvested to keep a business healthy and growing, and is also used to reward the owners who bear all the investment risk. For Kingfisher, maximising our cash generation in a responsible way means maximising sales and minimising costs whilst observing key behaviours – responsibility, honesty, passion, openness and adaptability. The better we are at this, the more cash we generate and the more value we create for our people, our shareholders and society at large.

Maximising sales

We believe home improvement is an attractive retail sector as spending on the home is a key priority for householders.

As a specialist in this area we aim to provide a wide product choice and expert advice while using our international strength and capability to bring new, more sustainable and more affordable products to market. We focus on the following areas to maximise sales:

Customers

We aim to have mass appeal with a compelling choice of products and services so that we can capture a large share of the home improvement market. Our customers are non-professional (non-pro) customers who do home improvement jobs for themselves, and professional (pro) customers who do them for others. The non-pro customers are people who do jobs themselves, people who need help and those who want to learn. The 'pro' category are light trade and people who help others, such as the expert in a family or a group of friends.

People

Retail is a people business and it is particularly true in our sector as customers often need help and advice when shopping for home improvement products and services. We aim to recruit and retain diverse and talented teams to serve our customers and we prioritise investment in their training and development as we move towards creating 'ONE' Kingfisher.

Offer

We use our scale and international reach to find the world's best products and make them available to customers in their local market. The rate of innovation in home improvement tends to be slower than in other retail sectors, such as electricals or clothing, and so we aim to increasingly deploy our international scale and experience to work with suppliers to stimulate more innovation and create leading, unique and effective products.

Formats/Channels

We want to make home improvement as easy as possible for our customers and this includes giving them as wide a choice as possible of ways to shop with us. As well as having local stores with extended opening hours, we increasingly offer home delivery and 'click & collect' via the internet. This type of retailing is called omnichannel and our most advanced business in this area is Screwfix in the UK.

Low costs

The biggest cost in our business is buying the products that we sell to our customers. Our suppliers benefit from the huge scale that we can offer them as one of the largest buyers of home improvement products in the world. The certainty of large scale orders means they can operate their businesses more efficiently and these benefits are shared between the manufacturer and Kingfisher – helping to minimise our costs. The next major cost is selling and distribution, principally the cost of running our stores, the cost of getting products to our stores and the cost of our people. We are constantly working on a rolling programme of cost efficiencies and productivity initiatives to minimise these costs sustainably.

Cash generated

The net result of maximising our sales whilst minimising our costs is the optimisation of the cash we generate each year. Over the last seven years we have generated £6.1 billion of operating cash flow from our business model. We have strengthened our balance sheet by eliminating our financial net debt and we have reinvested £2.3 billion in modernising and expanding our store network and upgrading our IT and supply chain infrastructure to underpin our future prospects. In addition, we have returned £1.4 billion to our shareholders as dividends and share buybacks. Over the same period our market value has grown from £3.4 billion to £8.2 billion. Our strategy for delivering this is described on the following pages.

To view and download the business model go to http://annualreport.kingfisher.com/2014-15/strategic-report/our-business-model.html

BETTER HOMES, BETTER LIVES

We can achieve significant benefits from developing a more common, unique and effective offer and by unifying activities and standardising processes.

Following the appointment of Véronique Laury as Chief Executive Officer, the leadership team reviewed Kingfisher's business and strategy. They concluded that Kingfisher's position and prospects in the attractive European home improvement market were strong, but that the business needed to be organised very differently to deliver the full potential of 'ONE' Kingfisher.

A summary of the review findings are below:

- Home improvement is a great market with huge potential. Home improvement is a top customer spending priority, with an estimated 58% of Europeans doing a home improvement project last year. The market is resilient and its growth is supported by favourable megatrends which are similar across all markets. For example, changing demographics as well as ongoing societal trends mean that households are needing to adapt their homes, while increasing urbanisation means most people are living in smaller homes. In addition, the rise in home technology and automation is changing the type of improvements people want to make to their homes, all of which provide us with sustainable opportunity.
- We are right to focus on Europe+*. The European home improvement market is an attractive sector, worth £235 billion[1] across a customer base of 320 million homes[1]. Kingfisher currently has a 5%[1] share of this large, resilient and fragmented market, meaning there is plenty of scope for growth.
- We can achieve significant benefits from developing a more common, unique and effective offer. It is becoming increasingly clear that customer needs are already largely the same, that the markets we serve are fundamentally more similar than different and that there are few known manufacturing brands across the sector. There is therefore an opportunity for Kingfisher to develop a unique offer that can be sold across our businesses. Kingfisher already has significant scale, with over a million customers a day. The potential of our £7.4 billion buying scale is still relatively untapped and we have a fragmented supplier base. However, we have made progress on group sourcing (now at 22% of sales[2]) and establishing our own brand product ranges (now at 30% of sales).
- There is no one, clear winning format or channel in our market today. Kingfisher's multi-format structure is therefore an advantage, having businesses across 'Big Box' format, 'Medium Box' format and Omnichannel formats. However, being omnichannel everywhere is a 'given'.
- We can achieve significant benefits from unifying activities and standardising processes. Currently there are few shared processes within Kingfisher and the sharing of infrastructure is limited. There is also no standardised operating model, which means, for example, that our Brico Dépôt businesses in France, Spain, Romania and Portugal operate in different ways.

1 Source AMA builders merchant report 2014, AMA commissioned research, Mintel Europe DIY report 2014; BCG, Kingfisher research

2 Across top five operating companies - Castorama France, Brico Dépôt France, B&Q UK & Ireland, Screwfix UK and Castorama Poland

* See glossary on page 147

Going forward, we will operate within the following guiding principles:

1. **Customer needs come first**
2. **Create a unique and leading offer**
3. **Same products across Europe presented to customers in the same way**
4. **Limited number of formats and omnichannel everywhere**
5. **Low cost always**
6. **One company culture**

Following these principles will drive higher sales from having a unique, differentiated offer at good prices for our customers whilst maintaining our gross margin rate and lowering our cost base. Combining this with continued strict capital discipline will deliver improved financial metrics for our shareholders.

Seeding sustainability and empowering our people

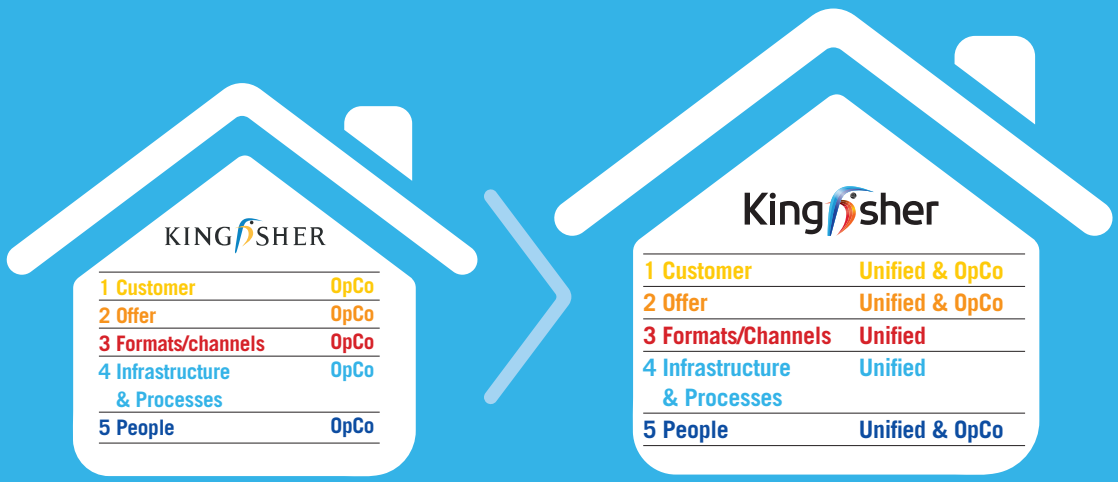
We are a people business and it is our people that make us what we are and will determine our sustained success. We've been sharing our sustainability ambitions to actively encourage our employees to change the way they do things so we can meet changing customer needs and drive sustainable growth.

B&Q's former horticulture buyer, Ben Smith, re-imagined bedding plants last year, enabling him to redesign the way the plants are packaged and presented. The easyGrow innovation he's introduced makes our bedding plants healthier, planting easier, our customer experience better and in the process he's also eliminated two unsustainable materials - peat and polystyrene. Last year B&Q sold 2 million more bedding plants than the previous season. Ben has subsequently been promoted and is now working on a wider gardening offer that could be sold in all Kingfisher markets.

Ben isn't alone in rethinking our offer - we're challenging all our people to be "a little more like Ben" so that we can deliver growth in a sustainable way.

We are organising ourselves very differently

In order to unlock Kingfisher's true potential the Company needs to be organised very differently. This will involve taking what is essentially a locally managed set of businesses and creating instead a single unified company where customer needs come first.



Sustainably enhancing our customer offer

We want to understand the reality of how our customers live so we can develop the products and services that really meet their needs. At the end of last year we asked 17,000 householders across Europe about their homes and their biggest fear is high energy bills. It's the number one concern in all our European markets and people are now eight times more likely to prioritise energy efficiency projects than they were two years ago.

Our energy efficiency innovations are helping people make their homes warmer and more affordable to run. For example, our newly refurbished Castorama store in Hénin-Beaumont enables customers to get help from specially trained energy efficiency sales advisors. Providing solutions to people's energy concerns means we're best placed to address the growing €70bn in-home energy efficiency market in Europe.

As our homes become more energy efficient and we spend more time in them, we also need to help ensure that homes are healthy.* Indoor air pollutants are an increasing concern, contributing to health conditions such as allergies and respiratory conditions. We've led the industry offering minimal VOC paint for many years but Castorama's Respiréa paint innovation actually improves indoor air quality by capturing and absorbing formaldehyde.

* United States Environmental Protection Agency

Our work to mobilise 'ONE' Kingfisher will be focused on the following five areas.

For each of these we have identified the first 'sharp' decisions that are being implemented at pace. A key step in developing this new organisation ('ONE' Kingfisher) is the creation of a new leadership team with more focused cross-company roles including:

- Chief Executive Officer
- Chief Financial Officer
- Chief Offer & Supply Chain Officer
- Three operations directors by format for Big Box, Medium Box & Omnichannel
- Chief Digital & IT Officer
- Chief People Officer

1 Customer

Everything will be based on our deep knowledge of customer needs and the customers' shopping journey.

First sharp decision:

- To develop unified garden and bathroom businesses across Europe, covering the full design process from customers' needs to customers' homes.

2 Offer

Of a total of 393,000[1] products sold across the company, only 7,000 products (representing 7% of sales) are currently sold in at least two operating companies. Of the 393,000 products a large proportion relate to delisted and ex-promotional ranges which do not form part of existing retail planograms. Beyond this, driven by the knowledge that customer needs are more similar than different across geographies, planogram product ranges can be more similar in all our markets across Europe.

First sharp decision:

- Develop plan to cut existing product tail.

3 Formats/ Channels

Our goal is to present the same products to customers across Europe in the same way under a simplified model. This will drive operational efficiencies whilst recognising that customer needs are evolving quickly so we need to adapt to this fast changing retail environment. Our existing channels will be managed under three formats: Big Box, Medium Box and Omnichannel, and each will be standardised across all of our markets.

First sharp decisions:

Address our property tail.

- Kingfisher has said for some time that B&Q UK & Ireland can adequately meet local customer needs from fewer stores and that some of the stores should be smaller. As a result of detailed catchment reviews Kingfisher announced the following plans:
  - Close 15% of surplus B&Q space (c60 stores; 6 right-sizes) over the next two years with the right-sizes planned to be completed in the full year 2015/16. The closures are being prioritised by the most over-spaced catchments in order to retain customers and sales. This will give rise to an exceptional charge of around £350m relating principally to onerous lease provisions over the next two years.
  - Optimise vacant space through a combination of outright sale and sub-letting. We are already in discussions with several retailers.
- Close the small number of loss-making stores we have across Europe.

Do more of the good we have:

- Start Big Box revitalisation programme across Europe, drawing on our latest, most developed formats.
- Extend the Screwfix Germany trial by five outlets taking the total to nine, replicating our highly successful omnichannel format developed in the UK.

1 Across top five operating companies: Castorama France, Brico Dépôt France, B&Q UK & Ireland, Screwfix UK and Castorama Poland.

4 Infrastructure & Processes

Unifying our processes and infrastructure will not only drive operating efficiencies but will also make us a simpler and more agile organisation.

First sharp decisions:

- Pilot company-wide unified SAP IT platform in B&Q Ireland, then look to accelerate.
- Unify the process for managing £1.2 billion goods not for resale (e.g. store maintenance, cleaning and merchandising equipment).

Unlocking the real potential of 'ONE' Kingfisher

Higher Sales
+
Maintained Gross Margin Rate
+
Lower Costs
+
Capital Discipline

Improved Financial Metrics

With clear and simple non-financial KPIs to measure our success across the company.

5 People

To drive through these changes we have announced a new leadership team and the need to move to a wider reorganisation of the structure of our teams in order to unlock the real potential of 'ONE' Kingfisher. The new leadership team combines existing and new talent with cross-company and more focused roles.

We are pleased to announce that Arja Taaveniku will be joining Kingfisher in early May as Chief Offer & Supply Chain Officer. She has 22 years of experience from the IKEA Group, including 13 years at IKEA of Sweden, working in various senior roles involved in developing, managing and supplying the global IKEA product range (e.g. she was Global Business Area manager for IKEA Kitchen & Dining from 2008 to 2012). Since 2012 she has been CEO of the Ikano Group.

We are also appointing three Operations Directors by format. Guy Colleau will become our Operations Director for Big Box (B&Q, Castorama, Koçtas). Alain Souillard will become our Operations Director for Medium Box (Brico Dépôt). Steve Willett will become our Omnichannel Operations Director (Screwfix) as well taking the role of Chief Digital & IT Officer. Our operating company CEOs will report into our Operations Directors. A Chief People Officer will be appointed in due course.

First sharp decisions:

- Finalise new leadership team and wider reorganisation structure.

Responding to trends rooted in sustainability

Wood is in more than a third of our products – some of it is obvious, like that used in our flooring or our bathroom cabinets, some is less so, like the wooden frames underneath our baths that you don't see. Security of supply and pricing pressures are real concerns, particularly as demand for wood products is set to triple by 2050*. That's why we are passionate about sustainably sourcing our wood to ensure the world retains its much needed forests.

Kingfisher continues to lead the industry with 92% of its timber volume for products coming from sustainable (certified) sources. To ensure that by 2020 it's all sustainably sourced, we've recently introduced a timber policy for all our markets and we know we can get there because B&Q UK has already done it. Sustainable sourcing protects our forests, helps us continue to secure supply and enables us to differentiate ourselves from our competitors.

* According to the World Resources Institute and WWF respectively

Financial review

A summary of the reported financial results for the year ended 31 January 2015 is set out below:

	2014/15	2013/14	% Change Reported	% Change Constant currency
Sales	**£10,966m**	£11,125m	(1.4)%	2.9%
Retail profit	**£733m**	£779m	(5.9)%	(1.6)%
Adjusted pre-tax profit	**£675m**	£730m	(7.5)%	
Statutory pre-tax profit	**£644m**	£759m	(15.2)%	
Exceptional items (post-tax)	**£71m**	£131m	(45.8)%	
Adjusted basic earnings per share	**20.9p**	22.8p	(8.3)%	
Basic earnings per share	**24.3p**	30.0p	(19.0)%	
Dividends – ordinary	**10.0p**	9.9p	1.0%	
Capital Return				
– Special dividend (4.2p)	**£100m**	–	n/a	
– Share buy back	**£100m**	–	n/a	

Overview

The results for the year reflect a mixed picture across our markets, with the UK market improving but continental Europe, particularly France, proving to be a more challenging environment. However, our ongoing focus on cash and tight capital discipline meant we were able to continue to invest in the business whilst maintaining a strong balance sheet, pay £234 million in annual cash dividends and return a further £200 million to shareholders via special dividends and share buy backs.

Total sales grew by 2.9% on a constant currency basis to £11.0 billion with LFL sales up 0.5% (2013/14: up 0.7%). On a reported rate basis, which includes the impact of exchange rates, sales declined by 1.4%. Sales growth benefited from the addition of new space, with 74 new stores, including 60 Screwfix trade counters in the UK, opening during the year (excluding four stores opened in the Turkey JV).

On a constant currency basis retail profit of £733 million declined by 1.6%, including £22 million of new country development costs resulting from launching Brico Dépôt in Romania and Portugal and Screwfix in Germany during the year. Reported retail profit declined 5.9% reflecting £34 million adverse foreign exchange movement on translating foreign currency results into sterling.

Adjusted pre-tax profit decreased by 7.5% to £675 million, primarily reflecting the more challenging trading environment in France, adverse foreign exchange movements and the investment in new country development. Furthermore, underlying net interest (excluding exceptional items and FFVR) for the year was £10 million higher reflecting a pensions interest charge on the defined benefit pension deficit at the start of the year.

During the year the Group sold its stake in Hornbach and for comparative purposes adjusted pre-tax profit excludes their results (2013/14: before exceptional items Hornbach contributed £14 million to pre-tax profit and 0.6p to earnings per share).

Statutory pre-tax profit, which includes the impact of exceptional items before tax and Hornbach's results prior to disposal, decreased by 15.2% to £644 million. A reconciliation from the adjusted basis to the statutory basis for pre-tax profit is set out below:

	2014/15 £m	2013/14 £m	Decrease
Adjusted pre-tax profit	**675**	730	(7.5)%
Share of Hornbach post-tax results	**–**	14	
Financing fair value remeasurements (FFVR)	**4**	(2)	
Profit before exceptional items and taxation	**679**	742	(8.5)%
Exceptional items before tax	**(35)**	17	
Statutory pre-tax profit	**644**	759	(15.2)%

For glossary of terms used in the Financial Review see page 147.

Trading review by major geography

All trading commentary is in constant currencies

France

Sales £m	2014/15	2013/14	% Reported Change	% Constant Currency Change	% LFL Change
France	**4,132**	4,423	(6.6)%	(1.0)%	(2.3)%

Retail profit £m	2014/15	2013/14	% Reported Change	% Constant Currency Change
France	**349**	396	(11.8)%	(6.5)%

Kingfisher France sales declined by 1.0% (-2.3% LFL) to £4,132 million in an ongoing soft market impacted by weak consumer confidence and a declining housing and construction market.

Across the two businesses, three net new stores were opened, three were revamped, and two Castorama stores were converted to Brico Dépôt, adding around 2% new space. 'Click, pay & collect' omnichannel capability had been rolled out to 34 stores by the end of the year.

Gross margins were down 10 basis points, with ongoing self-help initiatives offset by higher price promotional activity. Despite continued focus on cost control including lower levels of variable pay, retail profit declined by 6.5% to £349 million.

Castorama total sales declined by 1.7% (-1.4% LFL) to £2,291 million. According to Banque de France data, sales for the home improvement market were down around 1.5%. LFL sales of outdoor products were up 3% and sales of indoor and building products were down 2%.

Brico Dépôt, which more specifically targets trade professionals and highly proficient retail customers, was impacted by the on-going slow house building market with new housing starts and planning consent data down around 12% and 8% respectively. Total sales declined by 0.1% (-3.2% LFL) to £1,841 million.

UK & Ireland

Sales £m	2014/15	2013/14	% Reported Change	% Constant Currency Change	% LFL Change
UK & Ireland	**4,600**	4,363	+5.4%	+5.5%	+3.2%

Retail profit £m	2014/15	2013/14	% Reported Change	% Constant Currency Change
UK & Ireland	**276**	238	+16.2%	+16.1%

Kingfisher UK & Ireland sales were up 5.5% (+3.2% LFL) to £4,600 million and retail profit grew by 16.1% to £276 million. Gross margins were down 60 basis points impacted by the recognition in Q1 of more promotionally-led showroom sales (kitchens, bathrooms and bedrooms) from Q4 last year. Tight cost control continued despite higher levels of variable pay.

On a value basis, the UK home improvement leader market was up 4.8%, reflecting better weather year on year, a stronger UK economy and more buoyant housing construction. On the same definition, Kingfisher UK sales were up around 3.5%. The market for the smaller tradesmen was up around 7%.

During the year B&Q reduced prices on c.5,000 products helping improve price perception and increase sales volumes. Over time, as the initiative gains momentum, the resulting growth in sales volume will also drive growth in sales on a value basis, however so far it is too early for the results to be seen in Kingfisher UK's sales performance on a value basis.

Consequently, on a volume basis (being quantity of products sold), the UK home improvement leader market was up 3.6%. On the same definition, Kingfisher UK sales were up 6.5% with both businesses ahead of the market.

B&Q UK & Ireland's total sales were up 1.9% (+1.4% LFL) to £3,765 million. Sales of outdoor seasonal and building products were up 4%. Sales of indoor products, excluding showroom, were up 2%. Sales of showroom products were down 5%, driven by the decision to reduce promotional activity, and instead offer customers 'every day great value'.

FY 2014/15 has been a year of re-energising the business. Examples of initiatives have included simplifying in-store price messaging, lowering prices and increasing customer transactions with better targeted marketing. The results have been encouraging, helping to drive sales and deliver profit growth, while improving value perception and marketing awareness.

B&Q has also been working on driving productivity benefits across the business. B&Q aims to be a simpler, more efficient business with a lower cost operating model and with stores that are easier for customers to shop. Various initiatives have been introduced including 'store friendly deliveries' (making it quicker and easier for store staff to replenish) and roller checkouts (improved customer experience as well as scanning and database accuracy). The projects are on track and are expected to deliver discounted paybacks of less than 18 months.

B&Q also launched 'Click, Pay & Collect' on over 14,000 products with the release of the new diy.com supported by better online content. Transacted online sales, including home delivery, are making encouraging early progress, growing 63%.

Screwfix, the highly successful omnichannel business, grew total sales by 25.5% (+13.4% LFL) to £835 million, driven by new ranges, a strong promotional programme reinforcing its value credentials and the continued roll out of new outlets, complemented by further digital and mobile development. Sixty net new outlets were opened, taking the total to 395.

Other International

Sales £m	2014/15	2013/14	% Reported Change	% Constant Currency Change	% LFL Change
Other International	**2,234**	2,339	(4.5)%	+5.0%	+0.1%

Retail profit £m	2014/15	2013/14	% Reported Change	% Constant Currency Change
Other International (established)	**139**	150	(7.7)%	+0.3%
New country development	**(22)**	1	n/a	n/a
Asset held for sale (China)	**(9)**	(6)	(53.6)%	(61.4)%
Total	**108**	145	(26.1)%	(19.5)%

Other International total sales increased by 5.0% (+0.1% LFL) to £2,234 million driven by store openings and LFL growth in Russia and Poland. Retail profit decreased by 19.5% to £108 million primarily driven by higher losses in China and new country development charges partly offset by profit growth in Poland.

Other International (established):
Sales in Poland were up 0.7% (+0.4% LFL) to £1,055 million. LFL sales of seasonal products were up 4% with sales of indoor and building products broadly flat. Gross margins were up 50 basis points benefiting from ongoing self-help initiatives. Retail profit grew by 1.7% to £118 million supported by the sales growth and higher gross margins, offset by higher levels of variable pay.

In Russia sales grew by 19.0% (+14.9% LFL) to £408 million, benefiting from a strong market. Retail profit declined by 14.6% to £10 million largely reflecting adverse foreign currency exchange movements on the cost base. In Turkey, Kingfisher's 50% JV, Koçtaş, grew sales by 13.1% (+4.2% LFL) to £319 million reflecting new store openings, improvements in customer offer and more promotional activity. Retail profit contribution was flat at £9 million after higher pre-opening costs compared to last year. In Spain sales grew by 14.2% (-5.5% LFL) to £306 million reflecting new store openings. Retail profit was £2 million (2013/14: £1 million retail profit).

During the year nine net new stores, representing around 6% new space, were added in our established geographies, one in Russia, four in Spain and four in Turkey.

New country development activity:
Romania – In Q2 2013/14 Kingfisher acquired a chain of 15 home improvement stores trading under the name Bricostore. Since then, work has been underway to transform these stores into the successful Brico Dépôt format aimed at trade professionals and highly proficient retail customers. Following encouraging results from the early conversions, the transformation programme was accelerated during 2014/15 with 14 stores now trading as Brico Dépôt. The business delivered sales of £91 million and retail loss of £12 million reflecting this year of transition.

Portugal – In a wider strategy to expand Brico Dépôt across Iberia, the first two Brico Dépôt stores opened during the year generating sales of £12 million. Retail loss of £2 million includes store pre-opening costs and central operations.

Germany – During FY 2013/14 Kingfisher announced its plans to evaluate international opportunities for its highly successful omnichannel business, Screwfix. In the summer a four store pilot commenced in the Frankfurt area, supported by a website offering 'click & collect' as well as country-wide next day delivery. Sales and brand awareness are building with an encouraging number of repeat customers; retail loss including start-up costs was £8 million. A further five stores are planned for FY 2015/16 within the Frankfurt area.

Assets held for sale – China:
In December 2014 Kingfisher announced a binding agreement to sell a controlling 70% stake in its B&Q China business to Wumei Holdings Inc for a total cash consideration of £140 million. The agreement follows Kingfisher's previous announcement of its plans to look for a strategic partner to help develop its B&Q business in China. The transaction is awaiting MOFCOM (Chinese Ministry of Commerce) approval and is expected to complete during H1 2015/16.

During 2014/15 sales declined by 9.8% (-9.7% LFL) to £361 million impacted by a slowing Chinese property market which was down 11%. Retail loss was £9 million (2013/14: £6 million reported loss). If the disposal is approved, China will be accounted for as an investment and its results will not be consolidated in Group retail profit.

Exceptional items

Exceptional items (post tax) were a credit of £71 million (2013/14: £131 million credit) as detailed below:

	2014/15 £m (Charge)/gain	2013/14 £m (Charge)/gain
UK & Ireland restructuring	**(17)**	7
Transaction costs	**(15)**	(5)
Disposal of properties and non-operational asset losses	**(3)**	2
Kesa demerger French tax case – repayment supplement	**–**	27
Net impairment of investment in Hornbach	**–**	(14)
Exceptional items before tax	**(35)**	17
Exceptional tax items	**106**	114
Net exceptional items	**71**	131

During the year there were restructuring costs of £17 million relating to the B&Q UK transformation plan (2013/14: £7 million credit following the successful exit of the Examinership process in B&Q Ireland).

Transaction costs of £15 million are associated with Mr Bricolage and the agreement to sell a controlling stake in the B&Q China business (2013/14: £5 million for Bricostore Romania).

These exceptional charges were more than offset by a £106 million tax credit including the tax impact on exceptional items and the release of prior year provisions which have either been agreed with the tax authorities, reassessed, or time expired (2013/14: £114 million primarily reflecting the successful resolution of the Kesa demerger French tax case).

Earnings per share

Adjusted basic earnings per share decreased by 8.3% to 20.9p (2013/14: 22.8p) reflecting the lower profits and an increased tax rate. As noted previously, this excluded the impact of exceptional items, financing fair value remeasurements and the effect of prior year tax items. Including these items basic earnings per share decreased by 19.0% to 24.3p (2013/14: 30.0p) as set out below:

	Earnings £m	2014/15	Earnings £m	2013/14
Adjusted earnings per share	**493**	**20.9p**	538	22.8p
Share of Hornbach post-tax results	**–**	**–**	14	0.6p
Net exceptional items	**71**	**3.1p**	131	5.5p
Prior year tax items	**6**	**0.2p**	27	1.2p
FFVR (net of tax)	**3**	**0.1p**	(1)	(0.1)p
Basic earnings per share	**573**	**24.3p**	709	30.0p

Dividends and capital returns

The Board has proposed a final dividend of 6.85p which results in a full year dividend of 10.0p, an increase of 1.0% (2013/14: 9.9p). The final dividend reduces full year dividend cover on adjusted earnings to 2.1 times (2013/14: 2.3 times). Going forward we are comfortable with dividend cover in the range of 2.0 to 2.5 times, a level the Board believes is prudent and consistent with the capital needs of the business.

The final dividend for the year ended 31 January 2015 will be paid on 15 June 2015 to shareholders on the register at close of business on 15 May 2015, subject to approval of shareholders at the Annual General Meeting, to be held on 9 June 2015. 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 14 May 2015. For those shareholders electing to receive the DRIP the last date for receipt of election is 22 May 2015.

In addition to the annual dividend, Kingfisher announced last year its intention to commence a multi-year capital returns programme to return surplus capital to shareholders. In FY 2014/15 a total of £200 million was returned to shareholders, £100 million by a special dividend of 4.2p per share paid on 25 July 2014 and £100 million via a share buyback. The Group will return a further £200 million to shareholders in FY 2015/16. Around £30 million of shares have been purchased already with the balance expected to be returned as a share buyback over the remainder of the year.

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% (2013/14: 26%). This effective rate of tax is higher than in 2013/14 reflecting higher losses in developing countries for which no future tax benefit is currently recognised for accounting purposes.

The overall rate of tax includes the impact of exceptional items and prior year adjustments. The impact of such items reduced the rate from 27% to 11% reflecting the release of prior year provisions which have either been agreed with tax authorities, reassessed, or time expired.

Effective tax rate calculation	Profit £m	Tax £m	2014/15 %	2013/14 %
Profit before tax and tax thereon	644	(71)	**11**	6
Exceptional items	35	(106)		
Prior year items		(6)		
Total – effective	679	(183)	**27**	26

The tax rates for this financial year and the expected rates for next year in our main jurisdictions are as follows:

Jurisdiction	Statutory tax rate 2015/16	Statutory tax rate 2014/15
UK	20%	21%
France	34.4% – 38.0%	34.4% – 38.0%
Poland	19%	19%

Tax contribution

Kingfisher makes a significant economic contribution to the countries in which it operates. In 2014/15 it contributed £1.7 billion in taxes it both pays and collects for these governments. The Group pays tax on its profits, its properties, in employing 79,000 people, in environmental levies, in customs duties and levies as well as other local taxes. The most significant taxes it collects for governments are the sales taxes charged to its customers on their purchases (VAT) and employee payroll related taxes. Taxes paid and collected together represent Kingfisher's total tax contribution, which is shown below:

Total tax contribution as a result of Group operations	2014/15 £bn	2013/14 £bn
Taxes paid	**0.7**	0.7
Taxes collected	**1.0**	1.0
Total tax contribution	**1.7**	(1)1.7

(1) In constant currency at 2014/15 rates this would be £1.6bn

Kingfisher participates in the Total Tax Contribution survey that PwC perform for the Hundred Group of Finance Directors. The 2014 survey ranked Kingfisher 33rd for its Total Tax Contribution in the UK. In 2014, 103 companies contributed to the survey.

Taxation governance and risk management

The Kingfisher Code of Conduct applies high standards of professionalism and integrity which underpins the Group's approach to tax policy, strategy and governance, which is Board approved. Our core tax objective is to pay the right amount of tax at the right time and to comply with all relevant tax legislation in all Group entities. The Kingfisher Group undertakes its activities, and pays tax in the countries in which it operates, in compliance with the local and worldwide tax rules. In all countries where it has activities, it has the staff, premises and other assets required to run its business there. The responsibility for tax policy and management of tax risks lies with the Chief Financial Officer and the Group Tax Director who engage regularly with the main Board and the Audit Committee on all tax matters.

We manage the tax that we pay and the risks that arise having regard to the interests of all stakeholders including our investors, our customers, our staff and the governments and communities in the countries in which we operate. Tax risks can arise from changes in law, differences in interpretation of law and the failure to comply with the applicable rules and procedures. We manage and control these risks through local management, the tax professionals we employ and using advice from reputable professional firms. Where disputes arise with the authorities these are dealt with promptly in a professional, open and constructive manner.

Economic returns

Management are focused on Kingfisher Economic Profit (KEP) as a main measure of return on capital. It is used in the capital investment process, to assess performance and drive returns in strategic plans. Information on the calculation of KEP is included in the glossary. In 2014/15 KEP was £34 million, down from £74 million in the previous year reflecting the start-up nature of investment in new developing countries, the higher effective tax rate and foreign exchange translation.

KEP by business segment is analysed below:

	Sales £bn	Proportion of Group sales %	Invested Capital (IC) £bn	Proportion of Group IC %	Returns £m KEP 2014/15	Returns £m KEP 2013/14
UK & Ireland	4.6	42%	5.9	51%	**55**	17
France	4.1	38%	2.2	19%	**106**	137
Other International	2.3	20%	1.6	14%	**18**	44
Goodwill & Central			2.0	16%	**(145)**	(124)
Total	11.0		11.7		**34**	74

Free cash flow

A reconciliation of free cash flow is set out below:

	2014/15 £m	2013/14 £m
Operating profit (before exceptional items)	**687**	746
Other non-cash items[1]	**275**	265
Change in working capital	**(93)**	27
Pensions and provisions	**(40)**	(37)
Operating cash flow	**829**	1,001
Net interest paid	**(8)**	(8)
Tax paid	**(146)**	(142)
Gross capital expenditure	**(275)**	(304)
Disposal of assets	**50**	12
Free cash flow	**450**	559
Ordinary dividends paid	**(234)**	(224)
Special dividend paid	**(100)**	–
Share buyback	**(100)**	–
Share purchase for employee incentive schemes	**(17)**	(24)
Disposal of Hornbach	**198**	–
Acquisition of Bricostore Romania (including debt)	**–**	(63)
Other[2]	**4**	(1)
Net cash flow	**201**	247
Opening net cash	**238**	38
Reclassification of cash in B&Q China to assets held for sale	**(57)**	–
Other movement including foreign exchange	**(53)**	(47)
Closing net cash	**329**	238

(1) Other non-cash items includes depreciation and amortisation, impairment losses, share-based compensation charge, share of post-tax results of JVs and associates, pension operating cost and profit/loss on non-property disposals.

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

Net cash at the end of the year was £329 million (2013/14: £238 million net cash), excluding cash held in B&Q China.

Free cash flow of £450 million was generated in the year, a decrease of £109 million against the prior year due primarily to lower profits and an increase in working capital requirements, partially offset by lower capital expenditure and higher receipts from the disposal of assets. The year on year movement in working capital was primarily driven by a lower level of customer deposits for kitchen and bathroom sales at B&Q. This reflects B&Q's move to a new 'Every Day Great Value' offer during 2014/15 with attractive prices all year round. As a result, unlike last year, customer deposits were less concentrated into the UK's traditional January sale period, impacting the year end position.

Of the £450 million of free cash flow £434 million was returned to shareholders in the form of the ordinary dividend, an additional special dividend and share buybacks. A further £17 million was used to buy shares to cover future share awards for employee incentive schemes. The proceeds from the disposal of the Group's shareholding in Hornbach AG have partially offset these additional outflows.

Capital expenditure

Gross capital expenditure for the year was £275 million (2013/14: £304 million). Of this around 30% was invested in new stores and relocations, 30% on refreshing existing stores and 40% on IT, supply chain and omnichannel development. A total of £50 million of proceeds from disposals were received during the year (2013/14: £12 million).

The Group has a rigorous approach to capital allocation and authorisation including an annual five year strategic planning and capital allocation process, a project by project capital approval process and an annual post-investment review process.

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 £329 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 standards 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 EBITDAR on a moving annual total basis is 2.3 times as at 31 January 2015. 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:

	2014/15 £m	2013/14[1] £m
EBITDA	**955**	998
Property operating lease rentals	**440**	440
EBITDAR	**1,395**	1,438
Financial net cash	**(329)**	(238)
Pension deficit	**–**	100
Property operating lease rentals (8x)[2]	**3,520**	3,520
Lease adjusted net debt	**3,191**	3,382
Lease adjusted net debt to EBITDAR	**2.3x**	2.4x

(1) Comparatives restated to reflect disposal of Hornbach.

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

Kingfisher currently holds a BBB credit rating with two of the three rating agencies. The third agency remains at BBB- with positive outlook. 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.

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 five years, determining the level of debt facilities required to fund the business, planning for repayments of debt at its maturity and identifying an appropriate amount of headroom to provide a reserve against unexpected outflows.

At 31 January 2015 the Group had a £200 million committed facility that expires in 2016 and was undrawn. A new £225 million committed facility that expires in March 2020 has been executed since the balance sheet date. The next significant debt maturity is in May 2016 when the Group is required to repay US Private Placement debt with a nominal value of $68 million.

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

The Group has entered into interest rate derivative contracts to convert the fixed rate payable on its MTNs 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, which were not changed during the year. In December 2014, the sterling MTN of £73 million was repaid.

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.

Acquisitions and disposals

On 23 July 2014 Kingfisher entered into a binding agreement with the principal shareholders of Mr Bricolage to acquire their shareholdings subject to satisfactory anti-trust clearance. At a late stage Mr Bricolage and the ANPF (an organisation controlled by Mr Bricolage's franchisees holding 41.9% of the share capital of Mr Bricolage), indicated that the undertakings in France required to obtain the competition clearance were no longer in their interests. Without the consent of Mr Bricolage and the ANPF, the competition clearance undertakings necessary to finalise the transaction could not be given. The agreement also made provision that it would lapse if the anti-trust clearance was not obtained by 31 March 2015 although an extension could have been agreed by all parties. The ANPF did not agree to this extension.

Notwithstanding Kingfisher's efforts to pursue the completion of the transaction, the anti-trust clearance was not obtained by 31 March 2015 and therefore the July 2014 agreement lapsed on that date and the transaction could not proceed. Kingfisher is considering all of its options.

On 22 December 2014, Kingfisher announced a binding agreement to sell a controlling 70% stake in its B&Q China business to Wumei Holdings Inc for a total cash consideration of £140 million. The agreement followed Kingfisher's previous announcement of its plans to look for a strategic partner to help develop its B&Q business in China. The transaction is conditional on MOFCOM (Chinese Ministry of Commerce) approval and, if approved, is expected to close during the first half of Kingfisher's 2015/16 financial year.

The Group received proceeds of €236 million (£198 million) following the disposal of its 21% stake in Hornbach in March 2014.

In 2013/14 the Group acquired 100% of Bricostore Romania for £63 million (including debt).

Pensions

At the year end, the Group had a net surplus of £112 million (2013/14: £100 million deficit) in relation to defined benefit pension arrangements, of which a £194 million surplus (2013/14: £29 million deficit) is in relation to the UK Scheme. The favourable movement is driven by the strong asset returns over the year, only partially offset by the impact of the reduced discount rate applied to the scheme liabilities. This accounting valuation is 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 position, we have included a sensitivity analysis as part of the pension disclosure in note 27 of the Group Financial Statements. Further details of key assumptions are also contained within the note.

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 2014 with the portfolio valued by external professional valuers. Based on this exercise, on a sale and leaseback basis with Kingfisher in occupancy, the value of property is £3.2 billion at year end (2013/14: £3.5 billion). The main reasons for the year on year change are foreign exchange movements and disposals.

2014/15	£bn	Yields
UK & Ireland	**0.8**	6.5%
France	**1.3**	8.0%
Poland	**0.5**	8.1%
China	**0.4**	7.9%
Other	**0.2**	–
Total	**3.2**	

This is compared to the property net book value of £2.4 billion (2013/14: £2.8 billion) recorded in the financial statements (including investment property and property assets held for sale), which is not revalued for accounting purposes.

Retail profit on a fully rented basis

The Group currently operates out of a mix of owned and leased property with the mix varying significantly between our geographic markets. In order to compare divisional performance more easily, a summary of the retail profit margins on a fully rented basis is set out below:

2014/15	UK & Ireland	France	Poland
Retail profit %	6.0%	8.4%	11.2%
Adjustment to leasehold basis for owned properties	(0.8)%	(2.6)%	(3.6)%
Retail profit % on leasehold basis	5.2%	5.8%	7.6%

Impact of new accounting standard and China disposal on 2015/16 reporting

The results for 2015/16 will be impacted by both a new IFRS accounting requirement, IFRIC 21 'Levies', and how Kingfisher accounts for China if the proposed sale of 70% is approved by China's competition authority. To help the readers of the accounts, restatement data tables for 2014/15 have been published at: www.kingfisher.com/index.asp?pageid=59

IFRIC 21 'Levies', will apply from 2015/16 with restatement of 2014/15 comparatives. This will not have a material impact on the annual results of Kingfisher, but will change the quarterly phasing in operating costs of certain French levies, in order to recognise the liabilities as they are triggered under the local legislation. As a result the related costs will no longer be spread over the year but will be recognised in the final quarter. Hence French and Group retail profit will be increased in Q1 to Q3 and decreased in Q4.

Subject to competition authority approval, the disposal of the Group's 70% controlling stake in B&Q China would result in the Group accounting for its remaining 30% interest as an investment. Adjusted measures for 2015/16 and 2014/15 comparatives would exclude B&Q China's operating results to enable a better understanding of underlying Group performance. Statutory reporting for 2014/15 would not be restated.

Net Positive and integrated reporting

Kingfisher is committed to operating sustainably and to making a positive contribution to society through its business activities. Kingfisher's Net Positive approach is enabling the business to improve efficiency and resilience while generating revenue and supporting brand preference. Sustainability makes financial sense – the business has generated £2.4 billion in sales of products with eco credentials in 2014/15, and there are a number of energy saving initiatives underway, for example installing LED lighting across 15% of stores to date is saving £3 million per annum. The business is also trialling an approach to establish the financial benefits of initiatives to reduce waste, with a view to rolling this out across Kingfisher.

Reflecting the importance of Net Positive, the Group has integrated sustainability considerations into its capital expenditure processes.

Increasingly, the business aims to report in an integrated way taking account of financial, economic, social and environmental performance, and to reflect all the factors that contribute to our business success. This supports decision-making within the business while enabling investors and stakeholders to more easily assess the business value of our commitment to Net Positive and the contribution the business makes to society.

Human Rights

The Company takes steps to protect the human rights of our employees and others affected by our operations, including people working in our supply chain. We are guided by international standards such as the UN's Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. Our Code of Conduct for Factory Working Conditions sets out the standards we expect supplier factories to meet and can be found on the Company's website (www.kingfisher.com/netpositive/code). We monitor the compliance of key suppliers with our Code. The Company is a member of the UN Global Compact and reports our progress against each of its 12 principles.

Strategic Report Approval

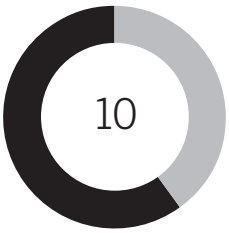
The Strategic Report, including the Risks report on pages 26 to 29, is approved for and on behalf of the Board by:

Véronique Laury
Chief Executive Officer

30 March 2015

Gender split

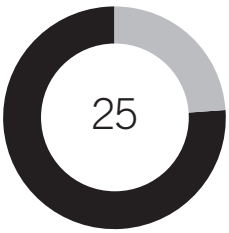
Board



Female 40%

Male 60%

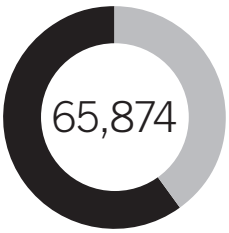
Senior Management



Female 24%

Male 76%

Total workforce (FTE)



Female 40%

Male 60%

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 are subject to constant change. As such, the Board has implemented the necessary framework to ensure that it has sufficient visibility of the Group's key risks and the opportunity to regularly review the adequacy and effectiveness of our mitigating controls and strategies. The Board has considered the risks following the review of the business and strategy by the Leadership team and the risks have been amended to reflect the future operations of the business.

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 has 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 33 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.

Group risks	Mitigation
Organising Kingfisher as a more unified company with a common customer offer rather than a collection of individual businesses fails to deliver the anticipated benefits.	We are organising the business differently, becoming a more unified company rather than a collection of individual businesses. The new leadership team structure reflects the new organisational design. As with all initiatives undertaken, the leadership team will monitor the programme and benefits realisation on a regular basis, ensuring sufficient resources are available to deliver the requirements. We will continue to ensure that changes are only implemented once we have completed an appropriate level of planning and testing, relative to the risk. In addition, we ensure 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.
Our investments fail to deliver value to the Group, especially our investment in the IT strategy programme.	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. We are investing in our financial and operational systems to develop a company-wide IT solution. The IT strategy project is supported and monitored via the programme team and the programme office. Each business is represented on the project team to ensure the appropriate solution is delivered to the company. Regular updates are given to the leadership team and all decisions are approved in line with our investment methodology. Country and market entry strategies are based on the application of a proven operating model and supported by the part of the business 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 leadership team 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. Following an acquisition, integration plans are prepared and monitored at divisional and Group levels. Existing management teams are supplemented with Group resources to monitor and assist with the integration. All investments are evaluated and monitored via our post investment review methodology in place across the business.

Group risks	Mitigation
We fail to deliver the benefits of a more unified and unique offer and standardised activities and processes.	We aim to offer customers a product range which is differentiated from that of our competitors through innovation and exclusivity. To support this, we continue to evolve and innovate across our product ranges, formats and customer offer. We have: • Project teams to identify the optimum opportunities for presenting the same products in our stores across Europe, e.g. a unified bathroom and garden offer. • Performance of the ranges and brands is tracked and strategies updated accordingly. • A strong sourcing network which is focused on securing Group buying opportunities. • Initiatives to take the best practice and best product from across the Group.
We fail to create enough innovation opportunities.	We view innovation as an area of future growth. The leadership team is responsible for developing new business opportunities. The leadership team reviews the opportunities identified and works within a risk weighted project appraisal framework.
We fail to identify and maximise potential cost reductions and efficiency savings.	Ensuring we operate efficiently and reduce our costs is a key area of focus for us. As part of our five year planning process each business reviews its cost base and identifies potential savings which are then monitored as part of the budgeting and forecasting processes. As part of our investment in IT we have identified a number of benefits and benchmarked these externally. In future, the cost base will be reviewed across the Group to identify further potential savings. Reviews of our processes and infrastructure will be carried out to develop a unified approach and realise further costs and efficiency savings.
Our investments in new store formats, customer markets and customer proposition strategies fail to stimulate increased consumer spend and do not deliver the desired sales growth in our mature markets.	We continue to invest in our Omnichannel strategy. We continue to invest in Omnichannel technologies and take learnings from our businesses which have well developed models, e.g. Screwfix. We are developing a platform which will be rolled out across the Group to offer alternative channels for customers. Our investment in the IT strategy programme will provide systems and capabilities to respond to the changing ways that customers shop. 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. We will pursue low risk market entry and new flexible store format strategies based on the utilisation of current skills and capabilities available within the Group.

Group risks	Mitigation
Uncertainty surrounding the resilience of the global economy and increased geo-political volatility, particularly in Russia, may impact both consumer confidence and the long-term sustainability and capabilities of our supplier base.	The spread of countries in which the Company operates aids in the mitigation of this risk, however, 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 that provide flexibility, access to funding and reliable local retail cash and card payment processing services. • Diversification of cash holdings across a number of financial institutions with the strongest short-term credit rating. • An appropriate and prudent mix of hedging policies, cash deposits and debt financing to minimise the impact of foreign exchange currency volatility on the Group. • The geo-political drivers for uncertainty and volatility in the Eurozone are being monitored continuously, such that if risks escalate, measures are implemented to ensure there is sufficient and co-ordinated contingency planning. • A cross-functional steering group established to monitor developments in Russia, consider business continuity action and undertake scenario planning.
We do not make the necessary investment in our people to ensure that we have the appropriate capacity, skills and experience.	Across our businesses we are developing our talent and building our leadership capacity. Specific examples of this include: • The Chief People Officer will join the leadership team to prioritise the build of capabilities, effective KPIs and relevant reward structures. We have begun to align reward structures across the Group. • Focused development activities for our store-based colleagues and an increased focus on how we support and recognise the role of our customer advisors across the organisation. • We are creating a strong pipeline of developing talent through structured programmes including graduate and high potential schemes e.g. LEAD programme for the development of senior leaders.
We fail to deliver our sustainability targets due to not integrating our sustainability plan into the day to day operations of the business.	• Our commitment to sustainability remains one of Kingfisher's key values and across the organisation we continue to ensure that we engage and take advice from our expert partners (BioRegional and Forum for the Future). • As part of our business planning process, we set and annually review sustainability plans for each business. • Monthly Board reports monitor the progress of our largest operating companies in achieving their sustainability targets. • Data is reported annually to the Group and signed off by the local Boards. • Within each business, responsibility has been assigned to a team or individual for the delivery of the sustainability targets. Meetings of the sustainability teams are held twice a year to exchange best practice and progress common initiatives. • Our Net Positive Advisory Council provides an external review of our processes and provides technical support and advice.

Risk	Mitigation
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. • 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).
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 79,000 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. The Group Health and Safety Committee sets the policy and standards for the Group. 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, Group Audit Committee or Board where necessary.
Kingfisher's reputation and brand are affected by 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.

Board of directors

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 Capgemini. He is also Honorary Chairman 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 world's second largest retailer, from 1992 to 2005. Prior to Carrefour, he was Chief Operating Officer of METRO, Germany's leading international retailer. He was previously a non-executive director of Compagnie de St Gobain until June 2006.

Véronique Laury
Chief Executive Officer

Current directorships: Appointed to the Board in December 2014.

Expertise and experience: Véronique is a highly experienced international retailer who has worked in the home improvement sector for 26 years in France and in the UK. She joined Kingfisher in 2003 and in her 11 years with the business she has held several key roles including Chief Executive of Castorama France, Group commercial director, and commercial director of B&Q UK & Ireland. Previously she spent 15 years at Leroy Merlin in various commercial roles. She was named Group Chief Executive on 8 December 2014.

Karen Witts
Chief Financial Officer

Current directorships: Appointed to the Board in October 2012. She is a non-executive director of Imperial Tobacco Group PLC.

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. 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 an independent director of the supervisory board of Vivendi.

Expertise and experience: Pascal provides the Board with expertise in the field of digital and multi-channel retailing. He was formerly the General Manager, Vice President of Apple Europe, Middle-East, India and Africa. His previous experience includes roles at Packard Bell, NEC and Booz Allen Hamilton. He held the position of non-executive director on the board of Egg Banking plc, the online banking arm of Prudential plc. He actively conducts strategy consulting and venture capital activities.

Clare Chapman ■ ▲
Non-Executive Director

Current directorships: Appointed to the Board in December 2010. She is currently Group People Director of BT.

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 UK & Ireland

Current directorships: Appointed to the Board as Group Finance Director in October 2008, and became CEO, B&Q and Koçtaş brands in 2012 with responsibility for the Group's businesses in China, Turkey, the UK and investment in Germany. He assumed direct leadership of B&Q UK & Ireland in 2013, and is Deputy Chairman of Kingfisher's joint venture in Turkey, Koçtaş. He is the Senior Independent Director and Chairman of the Audit Committee of Land Securities Group plc.

Expertise and experience: Kevin was previously Group Finance Director, a role he held from 2008 to 2012. He previously worked for Dixons Retail plc from 2002 to 2008 where he was Group Finance Director. Before this he was European Finance Director at Quaker Oats Limited.

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, Pret a Manger Limited and a Non-Executive Director of Inter IKEA Systems B.V.

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.

From left to right:
Mark Seligman
Janis Kong
Andrew Bonfield
Daniel Bernard
Véronique Laury
Karen Witts
Kevin O'Byrne
Anders Dahlvig
Clare Chapman
Pascal Cagni

Janis Kong ■ ▲ ●
Non-Executive Director

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

Expertise and experience: Janis provides important 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, is a member of the Regional Growth Fund advisory panel and non-executive Deputy Chairman of G4S.

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.

Audit Committee ●
Remuneration Committee ■
Nomination Committee ▲

See pages 33-66 to find out more

In addition to the Kingfisher plc Board, the leadership team is responsible for the overall strategic decision-making of the Company.

Leadership team

Véronique Laury
Chief Executive Officer

Karen Witts
Chief Financial Officer

Arja Taaveniku
Chief Offer and Supply Chain Officer

Steve Willett
Chief Digital and IT Officer

TBA
Chief People Officer to be appointed in due course

Operations directors by format

Guy Colleau
Operations Director, Big Box

Alain Souillard
Operations Director, Medium Box

Steve Willett
Operations Director, Omnichannel

"This report aims to provide shareholders with an understanding of the arrangements we undertake in order to maintain the highest standards of corporate governance across Kingfisher, arrangements which we consider to be essential for the long-term success of the Company."

For the online report homepage
www.kingfisher.com/AR14-15

Dear Shareholder

I am pleased to present Kingfisher's Corporate Governance report for the year ended 31 January 2015.

During the year, the Board of Kingfisher plc has continued to apply solid governance practices, amending where necessary those robust, efficient and effective frameworks and systems developed over a number of years, by which the whole business is governed and reviewed. This report aims to provide shareholders with an understanding of the arrangements we undertake in order to maintain the highest standards of corporate governance across Kingfisher, arrangements which we consider to be essential for the long-term success of the Company.

As a company listed on the London Stock Exchange, Kingfisher is required to review its operations annually by reference to the UK Corporate Governance Code ('the Code') and a statement of compliance with the Code is set out on page 34.

It is the role of the Board to provide leadership to the Group. As Chairman of the Board, I lead the Board in reviewing long-term strategy, monitoring, supporting and, where required, challenging the executive team, whose job it is to manage the Company successfully day to day, driving performance of the business and creating value for our shareholders and other stakeholders. For the Board to be effective in discharging its responsibilities, it must maintain a level of independence and objectivity, the correct balance of experience and skills and be comprised of sufficient knowledge of the operations of the business. I believe that the Kingfisher Board, with its vast experience and diversity of expertise, assists the Company in delivering its strategy and maximising shareholders' long-term interests.

The leadership of the Board is particularly important during times of change. In July, Philippe Tible left the business and on 8 December 2014, Sir Ian Cheshire stepped down as Group Chief Executive and resigned as a director of the Board on 31 January 2015. The Board oversaw a robust succession process for Sir Ian, more details of which can be found on page 45 in the report of the Nomination Committee, and the Board unanimously agreed that Véronique Laury be appointed his successor as Chief Executive Officer. Véronique assumed the role on 8 December 2014. I would like to personally thank Ian for all his hard work in leading the transformation of the Company during his seven years as Group Chief Executive.

The Board has continued to review its governance framework and has adjusted, 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 again reviewed to ensure the correct and accurate flow of information and responsibility.

This review included a full review of the terms of reference of the Group Executive Committee, the Kingfisher Capital Expenditure Committee and the Financial Initiatives, Tax and Treasury Committee, and these were amended where necessary to reflect the operations of those committees and the authorities delegated to them. As part of the review, in order to make the governance structure below primary committee level more relevant and agile, the structure of meetings of the Group Executive Committee was changed to allow for greater focus on strategic review and direction and a more streamlined overview of trading and operational matters. During the year, a Group Sustainability Committee was established, with the remit to monitor progress against Net Positive targets and agree and drive the direction of the Group's approach to sustainability.

The revised Group governance structure, together with an overview of each of these committees, is set out on pages 39 to 40.

I believe that the changes the Company has made during the year have further enhanced its governance framework and improved the operation of the Board and its committees. The following pages of this report explain, in greater detail, the structure and processes in place to ensure good governance and set out the operations of the Board's primary committees. I am pleased to endorse this report, which I believe provides an insight into how, through its actions, the Board and its committees have fulfilled their governance responsibilities and worked to ensure that strong governance practices remain embedded across the Group.

Daniel Bernard
Chairman
30 March 2015

Compliance with the UK Corporate Governance Code

Kingfisher is subject to and has reviewed its operations and governance framework to ensure that it reflects the principles of the UK Corporate Governance Code, published by the Financial Reporting Council (the FRC) and available on their website, www.frc.org.uk. In accordance with the Listing Rules of the UK Listing Authority, the Board confirms that, throughout the year ended 31 January 2015, and as at the date of this report, the Company has complied with the provisions set out in the September 2012 edition 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 (the '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's primary responsibility is to promote the long-term success of the Company and deliver sustainable shareholder value. 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, which are available on the Company's website. Information on the responsibilities and work of each of the Board's committees is set out on pages 41 to 66.

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;
- the Group's risk appetite statements; and
- review of management development strategy.

Composition of the Board

During the year, the Board was made up of the non-executive Chairman, four executive directors and six non-executive directors. The number of executive directors reduced to three following the departure of Philippe Tible at the end of July. 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 structure, size and composition of the Board is continually reviewed to ensure it remains suitable for the needs of the business.

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 45. At the Annual General Meeting to be held on 9 June 2015, shareholders will be asked, in accordance with Principle B.7.1 of the Code, to re-appoint the 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.

At its meeting in January 2015, 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, Chief Executive Officer or Chief Financial Officer. In accordance with the FRC guidelines, the role of the SID is formally set out in writing, and available on the Company's website.

Roles of the Chairman and Chief Executive Officer

The roles and responsibilities of the Chairman and Chief Executive Officer are separate and clearly defined. As part of the annual review process, the written roles of the Chairman and Chief Executive Officer were reviewed to ensure they remained compliant with, and took account of, best practice developments, and were in line with FRC guidance. The written roles for both are available to view on the Company's website.

In accordance with best practice, 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 Chief Executive Officer is responsible for executive management of the Group's business, consistent with the strategy and commercial objectives agreed by the Board. She leads the Senior Leadership 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 Chief Executive Officer 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 General Counsel & 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 responsible for ensuring that good quality information flows from executive management to the Board and its committees and that correct Board procedures are followed. She advises the Board on legal, corporate governance matters and facilitates the inductions of new directors and assists in providing professional development as required. All directors have access to the Company Secretary for governance compliance and legal advice. The appointment and removal of the Company Secretary is one of the matters reserved to the Board.

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. The Board remains committed to that statement.

In order to maintain the appropriate balance of skills, experience and knowledge on the Board, the Nomination Committee considers each prospective candidate on their individual merits, regardless of gender, age, race, nationality, religion or disability, in the belief that balanced and diverse Boards are effective. The Company encourages diversity and an inclusive culture as it believes that this benefits our business by providing access to a wide range of skills, experience and perspectives and allows us to reflect our diverse customer base. The Board is committed to maximising the benefits of such a diverse workforce to deliver real sustainable benefits for the Group and its shareholders. Achieving balanced representation of men and women at all levels throughout the Group is a priority and the charts demonstrating the gender split at Board level, senior management level, and for the workforce as a whole, can be found in the Financial Review on page 25.

Effectiveness

Board meetings

The Board holds regular scheduled meetings throughout the year and 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 Chief Executive Officer, current trading/finance (including liquidity) reports from the Chief Financial Officer, and capital expenditure approvals and reports from the General Counsel & Company Secretary (including governance, legal, insurance and risk updates). Regular people-related updates from the Group Human Resources Director and Net Positive progress updates and public affairs updates from the Group Sustainability Director are also provided to the Board at its meetings throughout the year.

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 Chief Executive Officer 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 but holds at least one meeting each year overseas. During the year under review, the Board held a meeting in Lille, France where it reviewed the French Brico Dépôt and Castorama brands and considered the operations of the Brico Dépôt businesses in Portugal, Romania and Spain. The Board also visited a number of stores in the area. It is the Board's intention to hold one off-site meeting outside the UK, in a country in which the Group operates in the coming year, to receive presentations from the senior management of the operating company and experience the challenges facing that business. The Chairman and the non-executive directors meet regularly without executive directors being present.

The Chairman maintains regular contact with the SID.

Activities during the year

During the year, as part of its regular business, the Board:

- 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;
- considered regular updates on health and safety progress;
- reviewed the Group's anti-bribery and corruption policies and procedures to ensure continued compliance with the UK Bribery Act;
- reviewed the Group's risk profile and reviewed the Group risk appetite statement;
- received a progress update on the Group's Net Positive strategy;
- considered the Group's capital structure and cash position;
- considered post-investment reviews of capital expenditure projects over three years; and
- reviewed and approved the Group's major IT programme and processes.

In addition to its regular business, the Board also:

- approved succession plans for the role of Chief Executive Officer, and for the departure of Philippe Tible as a director of the Board;
- considered and approved the arrangements for the disposal of a majority stake in its business in China;
- reviewed and proposed to shareholders for approval the rules of the Kingfisher Incentive Share Plan; and
- considered and approved the acquisition of the Mr Bricolage business in France, subject to competition clearance being achieved, at an agreed cost.

Board evaluation

In accordance with provision B.6 of the Code, the Board is required to conduct a review of its performance each year. During the year under review, to ensure that they continue to be effective and each director remained committed to their role and had sufficient time to manage their commitments, the Board and its committees evaluated their 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 year's evaluation, and drafted following discussions between the Chairman, the Company Secretary and the external facilitator, Linstock. 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 evaluation was conducted in December 2014 and the areas considered during the evaluation were:

- Board composition and expertise;
- time management oversight;
- Board support;
- strategic oversight;
- risk management and internal control;
- succession planning and human resource management; and
- priorities for change.

The results of the evaluation were considered by the Board at its meeting in January 2015. No significant issues were highlighted and the review 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, remained good, and the challenge offered by the non-executive directors was robust and appropriate. As a result of the evaluation, the Board agreed to undertake the following activities during the 2015/16 financial year:

- support the new Chief Executive Officer with her review of the organisation, strategy phasing, articulating the customer proposition and omnichannel development;
- conduct a third-party review of Board papers to increase clarity and brevity, to enhance Board discussion;
- conduct in-depth reviews of two of the Group's new markets, in Romania and Germany;
- review the forward business agenda to ensure that there is sufficient time to focus on key Group programmes and initiatives such as the development of a more common and unique offer and the omnichannel proposition;
- maintain its 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 Chief Executive Officer carried out a performance review of the executive directors. The non-executive directors, led by the SID, conducted a 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 re-appointment to the Board.

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 the directors during the year.

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:

	Tenure in years	Board	Audit Committee	Remuneration Committee	Nomination Committee
Daniel Bernard	8	10/10	–	4/4	7/7
Andrew Bonfield	4	10/10	4/4	4/4	6/7
Pascal Cagni	4	9/10	–	–	6/7
Clare Chapman	4	9/10	–	4/4	7/7
Sir Ian Cheshire	14	9/9	–	–	–
Anders Dahlvig	5	10/10	4/4	–	6/7
Janis Kong	8	10/10	4/4	3/4	7/7
Véronique Laury[1]	<1	1/1			
Kevin O'Byrne	6	10/10	–	–	–
Mark Seligman	3	10/10	4/4	–	7/7[2]
Philippe Tible[3]	2	4/4	–	–	–
Karen Witts	2	10/10	–	–	–

1. Véronique Laury joined the Board on 8 December 2014.
2. Mark Seligman was not present during the part of the meeting where his tenure was considered.
3. Philippe Tible resigned as a director on 31 July 2014.

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 Chief Executive Officer, the Chief Financial Officer 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.

As part of her induction as new Chief Executive Officer, Véronique Laury conducted visits to most of the Group's operating companies to meet with management and understand the particular nature of the businesses. The Company Secretary arranged for the Group's corporate lawyers to provide a training session on her duties and responsibilities as a director 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 consideration. Ms Laury also attended shareholder roadshows in London and the United States and met with the Company's major institutional investors.

The Board also receives regular reports and feedback from discussions with the Company's institutional shareholders and is informed of any issues or concerns raised by them. 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, each director is 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 the directors 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.

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.

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 and directors have a continuing duty to update the Board with any changes to their conflicts of interest. Following review, the Board confirmed 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 30 to 31.

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 preliminary and interim results;
- Q1, Q2 pre-close and Q3 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 managers 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 between institutional investors and analysts and the Chief Executive Officer and Chief Financial Officer to discuss business performance; and
- a comprehensive investor relations section on the Company's website.

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

Annual General Meeting

The principal means of communication with private investors is by electronic communications and through the Annual General Meeting, 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. At the Annual General Meeting in June 2015, the Chairman intends to 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.

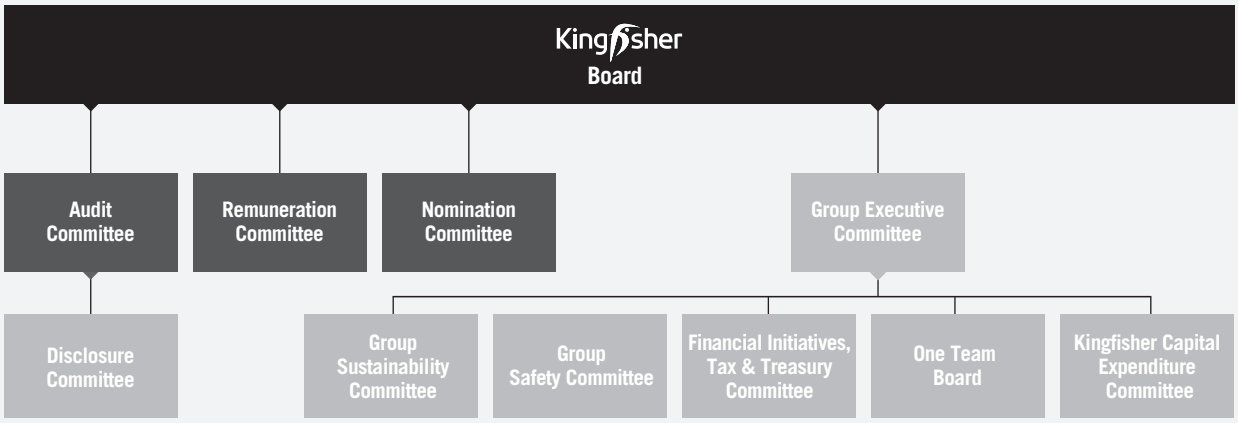
Committees

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 Code. The terms of reference of the principal committees are reviewed on an ongoing 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 the principal committees provide the Board with a brief synopsis of the work carried out by their 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. The Group's governance structure and 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 during the year. The Committee consists of the Leadership Team and comprises the executive directors, the Operations Director, Omnichannel and Chief Digital and IT Officer, the Operations Director, Big Box and the Operations Director, Medium Box. The Committee meets formally ten times a year under the chairmanship of the Chief Executive Officer.

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 capital expenditure 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 and risk appetite;
- management development and senior executive succession plans; and
- the Group's Net Positive programme.

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

- the Group's branding strategies and Group procurement and sourcing arrangements;
- operating budgets and monthly trading performance;
- a potential franchise model for its Brico Dépôt business;
- the embedding of appropriate health and safety behaviours across the Group;
- the Group's IT strategy, planning and execution;
- the strategy for embedding sustainability into Group behaviours; and
- HR proposals for management development and succession planning.

One Team Board

The One Team Board consists of the Group Executive Committee, the CEOs of each of the Group's operating companies and other senior Group employees who report directly to members of the Group Executive Committee. The primary purpose of the Board, which meets at least quarterly, is the implementation of Group Strategy and the day to day management of the Group's businesses. At its meetings, the One Team Board considers performance against strategy and budget and reviews Group-wide people-related activities.

Capital Expenditure Committee

The Capital Expenditure Committee is responsible for reviewing and approving all capital expenditure projects relating to property and non-property proposals in excess of an agreed threshold of £0.75m, which is reviewed periodically.

The Committee will review and make recommendations to the Board regarding all projects exceeding its agreed approval threshold of £15m. The Committee comprises the Chief Executive Officer, Chief Financial Officer, the Operations Director, Omnichannel and Chief Digital and IT Officer, the Group Finance and Planning Director, the Company Secretary and the Group Property Investment Director.

Financial Initiatives, Tax and Treasury Committee

The primary purpose of the Committee is to monitor compliance with 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 of the Board. The Committee comprises the Chief Financial Officer, Group Finance and Planning Director, Group Treasurer, Group Tax Director, Head of Group Pensions and Company Secretary.

Disclosure Committee

The Committee's primary purpose is to ensure that information to be disclosed by the Company in its reports is properly identified, recorded, processed, summarised and reported to senior management of the Company and to the Audit Committee. The Committee assists in ensuring that disclosures fairly represent the financial position of the Company and the Group and, in the case of the Annual Report and Accounts, ensure that when taken as a whole, they are fair, balanced and understandable and provide shareholders with the information needed to assess performance, business model and strategy. The Committee comprises the Chief Financial Officer, Group Finance and Planning Director, Company Secretary, Group Chief Accountant and the Group Communications Director.

Group Health and Safety Committee

The Committee's primary purpose is to review the management of health and safety risks across the Group and monitor performance on, and compliance with, Group policies, procedures and practices in relation to all aspects of health and safety, with the aim of providing safe environments for employees, customers, suppliers and contractors and driving continuous improvements. The Committee comprises the Group Company Secretary, the Director of Risk & Compliance, a regional representative of each of Kingfisher's Divisions and the Group Property Services Director. The Chief Financial Officer has Board responsibility for health and safety and attends meetings of the Committee on a regular basis and delegates day to day oversight to the Company Secretary as Chairman of the Committee.

Group Sustainability Committee

The Committee was established in 2014 and met twice in the year under review. Its primary purpose is to provide direction on the development and integration of sustainability throughout the Group and oversee its implementation. The Committee is chaired by the Chief Executive Officer and members are drawn from the Group Executive Committee and senior leadership from the Group's operating companies. The Committee is responsible for agreeing the direction of Kingfisher's sustainability approach and for monitoring progress against the Company's Net Positive targets. On behalf of the Group Executive Committee, the Committee assures consistency by approving policy standards and processes in relation to sustainability for each operating company. It also shares best practices across the Group and supports the development of capacity and capability at all levels throughout the business to deliver Net Positive.

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

Audit Committee Report
Andrew Bonfield

Dear Shareholder

I am pleased to present the report of the Audit Committee for 2014/15.

During the year under review, the Committee carried out its duties in line with the UK Corporate Governance Code ('the Code') and reviewed its operations in relation to the Code.

The 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.

In addition to the activities outlined above, 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 also considered the appropriateness of significant judgements made in connection with the financial statements, in particular in relation to rebates, further details of which are contained later in this report.

The Committee maintained its good working relationship with the Group Finance Director, Group Audit and Risk Management Director, the Group Finance and Planning Director, the Company Secretary and the 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, including the key strategic risks impacting each business. The Committee considered and reviewed the Group's adequate procedures in relation to bribery and corruption and the provision of a whistleblowing service. On 1 October 2014, changes were made to the Code in relation to the identification and management of principal risks of the business, within an agreed risk appetite, and provision of a longer-term viability statement of the Company. The changes to the Code are applicable to the 2015/16 financial year and the Committee will work during the year to reflect those changes as required by the revised Code and provide necessary levels of enhanced disclosure in this report next year.

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
30 March 2015

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	4/4
Anders Dahlvig	16/12/2009	4/4
Janis Kong	11/02/2011	4/4
Mark Seligman	01/01/2012	4/4

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;
- oversee the process for determining whether the Annual Report and Accounts present a fair, balanced and understandable assessment of the Company's performance, business model and strategy;
- agree the scope of both the external and internal auditor's annual audit programme and review the output; and
- monitor and review the external auditor's independence, objectivity and effectiveness and 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, following minor amendments, are considered fit for purpose and reflect best practice. The terms of reference are available on the Company's website (www.kingfisher.com).

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 on page 41.

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 ongoing 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 Code. At the invitation of the Committee, the Chairman of the Board and the Chief Executive Officer attended all meetings, as did the Chief Financial Officer, 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.

The effectiveness of the Audit Committee was considered as part of the Board evaluation detailed on page 37. At its meeting in January 2015, the Committee considered the contents of the review and concluded that the evaluation had found the Committee provided robust and appropriate challenge to the business and continued to operate efficiently and effectively. It was agreed that no specific actions were required by the Committee as a result of the review.

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

Internal controls and risk

The Committee received and considered reports during the year from 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 also received and considered reports from the Group's external auditor, Deloitte LLP, which included any control findings relevant to their audit.

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 44.

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 operating companies in France (Brico Dépôt and Castorama), Turkey and Poland, and received a presentation from the senior management of its IT function, Kingfisher Information Technology Services Limited. The significant matters the Committee considered in the year included:

- Internal audit perform store audits in each of our operating companies. As part of this work, control issues relating to health and safety processes were identified across the Group. The issues have been isolated instances of non-compliance with our health and safety procedures. Action plans have been put in place to address these issues. This is supported by the Group Health and Safety Committee. The Committee was satisfied that the necessary steps were being taken to improve the standards of health and safety across the Group.
- the internal audit function has carried out regular reviews of the Group-wide Easier IT Programme to provide the Committee with assurance over the governance, performance and delivery of the major IT programme. This is a significant project for the Group and the Committee is satisfied that the correct level of control is being maintained. Further reviews will be carried out in 2015.
- the Committee received two presentations from the IT function, focusing on cyber risks the Group faces and the mitigation in place. The Committee was satisfied that adequate steps were being taken to protect the Group against the cyber threat. This area has been added to the standing agenda and will be reviewed at least twice a year by the Committee.
- the Committee reviewed policies and processes in relation to rebates during 2014/15 as a result of the change in industry context around that area, in addition to their disclosure within the financial statements. The Company has historically had strong policies in place surrounding rebates and, as such, no significant concerns were raised as part of this review.

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 Committee reviewed the operation of the Group whistleblowing helpline, which allows employees within the Group and its suppliers to report suspicions of fraud, financial and operational irregularities and other improprieties. The 'SpeakUp' service was reviewed along with arrangements to acknowledge, investigate and close down reports at the Committee's meeting in January 2015 and, having considered the extension of the service during the year to include all Group sourcing offices and the expansion of reporting permitted in France, the number, location and type of incidents reported, the Committee concluded that the Group continued to maintain adequate mechanisms for recording disclosures.

Financial reporting and significant financial issues

During the year, the Committee formally reviewed the Company's annual and interim financial statements and associated announcements. The reviews considered significant accounting principles, policies and practices and their appropriateness, financial reporting issues and significant judgements made. The Committee also considered whether the 2014/15 Annual Report and Accounts are fair, balanced and understandable, having received input and guidance from the Disclosure Committee.

In conducting these reviews, the Committee considered the work and recommendations of the Group finance function and received reports from the Group's external auditor on their findings, including any control observations relevant to their audit work. The significant reporting matters the Committee considered in the year are detailed below:

- the Committee considered the carrying value of goodwill to determine whether any impairment had been suffered. The Committee reviewed the significant financial assumptions used, including validity of cash flow projections and the selection of appropriate discount and long-term growth rates;
- the Committee considered the treatment of exceptional items, which are presented as exceptional to help provide an indication of the Group's underlying business performance;
- the Committee reviewed the significant judgements relating to stock. This included a review of the appropriateness of the Group's stock provisioning policy which takes into consideration such factors as stock turn, damage and obsolescence; and
- the Committee reviewed the significant judgements relating to rebates, including the disclosures made in the critical accounting estimates and judgements section in Note 3 to the financial statements on page 96. Based on the reports received from the Group's finance function, the significant majority of the Group's supplier income relates to volume-based agreements, with the remainder representing other rebate income for which recognition is more judgemental. The Committee noted that volume-based income is largely based on calendar year purchases, therefore the risk of misstatement is reduced significantly for year-end reporting. The Committee reviewed the report from the Group finance and risk functions of the application of those key judgements and the related controls in place over all rebates, and is satisfied with the judgements taken and control environment in relation to the recognition of rebate income and financial statement reporting.

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. In line with best practice, an external evaluation of the function was carried out during the year by Grant Thornton LLP, with input from the function's key stakeholders within the Group. The review found the function to have a strong mix of competencies and experience, a good methodology to deliver a risk based plan and sufficient resources to deliver the plan. No significant issues were highlighted by the review.

External audit

The Committee reviews and makes recommendations to the Board with regard to the reappointment of the external auditor. In doing so, the Committee takes into account auditor independence and audit partner rotation. Deloitte LLP were appointed as external auditor in 2009/10 following a formal tender process. Richard Muschamp was appointed lead audit partner following the conclusion of the 2013/14 audit process, and will serve as lead partner until the external audit contract is put out to tender, which in accordance with provision C.3.7 of the Code in relation to audit tendering would mean the Company putting the external audit contract out to tender by 2019 at the latest.

During the year, the Committee agreed the approach and scope of the audit work to be undertaken by the external auditor, Deloitte LLP, and undertook an assessment of their qualifications, 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 2014/15 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 100. In addition, the external auditor provided 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 also considered the effectiveness and independence of the external auditor. In consideration of its effectiveness, the Committee reviewed the experience and expertise of the audit team, the fulfilment of the agreed audit plan and any variations to it, feedback from the Group's businesses and the contents of the external audit report.

In considering the independence of the external auditor, the Committee received a statement of independence from the auditor, a report describing their arrangements to identify, report and manage any conflicts of interest, and reviewed the extent of non-audit services provided to the Group. The Committee concluded that it is satisfied with the effectiveness and independence of the external auditor.

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.

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 the interim review, additional assurance procedures, shareholder circulars, Group borrowings, tax compliance, 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 and proposed 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 Group's policy on the use of the external auditor for non-audit work can be found on the Group's website.

During the year, Deloitte LLP charged the Group £1.8m (2013/14: £1.8m) for audit and audit-related services and a further £0.2m (2013/14: £0.4m) for non-audit services.

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 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 Code, for the period from 1 February 2014 to the date of approval of this Annual Report and Accounts 2014/15.

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

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

The responsibility for designing, operating and monitoring the system and the maintenance of effective control is delegated to the management of each of the Group's operating companies. The Group's 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 26 to 29 of the Strategic 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 Chief Executive Officer and Chief Financial Officer 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 bi-annual 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 companies' 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 reviewed and approved the Group's internal statement of risk appetite. This statement of risk appetite describes both the current and medium-term 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

Daniel Bernard

The role of the Nomination Committee is to review the composition of the Board and plan for its refreshment as applicable with regard to composition, balance and structure. The Committee is also asked to lead, on behalf of the Board, the selection process for new Board appointments and to make recommendations in respect of such appointments while maintaining an appropriate balance of diversity of skills. 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 were reviewed during the year and were amended in line with best practice and are available on the Company's website (www.kingfisher.com).

Committee composition

The Committee comprises the Chairman and all the non-executive directors and meets periodically as required. External advisers may be invited to attend meetings when particular issues are to be considered.

Meeting attendance

The Committee meets as necessary to fulfil its responsibilities and meet its objectives. In the year under review, the Committee met on seven occasions and attendance at those meetings is recorded below.

	From	Attendance
Daniel Bernard (Chairman)	24/05/2006	7/7
Andrew Bonfield	11/02/2010	6/7
Pascal Cagni	17/11/2010	6/7
Clare Chapman	02/12/2010	7/7
Anders Dahlvig	19/12/2009	6/7
Janis Kong	08/12/2006	7/7
Mark Seligman	01/01/2012	7/7

Directors did not attend those parts of the meeting where their own reappointment was considered.

Activities during the year

The Committee is responsible for leading the process by which directors are appointed to the Board and there is a formal, rigorous and transparent procedure for the selection and appointment of new Board directors. Candidates are identified using objective criteria and selected with due regard to the benefits of a diverse Board. At its meetings during the year, the Committee considered executive and non-executive succession planning, skill requirements, and the Board effectiveness review.

During the year, the Committee considered the departure of Philippe Tible and recommended he step down from the Board and from his membership of the Group Executive Committee at the end of July, but remain with the business until the end of the 2014/15 financial year.

The Committee also considered and recommended to the Board the appointment of Véronique Laury as Chief Executive Officer, as successor to Sir Ian Cheshire. Véronique was selected following consideration of a number of internal and external candidates for the role. A search for suitable candidates for the role was commissioned using a reputable independent search consultancy. Following an extensive review of candidates, Véronique was selected as the preferred candidate and her appointment was recommended by the Committee.

Following the appointment of Véronique, and a review of the Board and its committees, the Committee is of the firm belief that the revised composition of the Board represents a strong, well balanced and diverse Board, with membership being made up of specialists in the fields of retail, technology, finance and human resources, and with the necessary experience and skills to meet the Group's current and future requirements. The Committee will continue to take all appropriate action in order to ensure that the right talent to manage the business will be in place in the future.

As part of its ongoing review of talent pipelines across the Group, in October 2014, the Committee considered a talent report presented by the Group HR Director, which highlighted succession considerations for the Board in support of its strategy.

In the coming year, the Committee will continue to review and assess the requirements of the Board and its committees in terms of their composition and will undertake appropriate succession planning activity to ensure the correct balance of skills, expertise and experience. It will also take all appropriate action in order to ensure that the right talent to manage the business will be in place in the future.

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

Daniel Bernard
Chairman of the Nomination Committee
30 March 2015

"As a result of the challenging business environment, the Group financial measures for the 2014/15 annual bonus did not meet the threshold performance targets and so have not paid out. This reflects our rigorous approach to target setting and linking pay to performance."

For the online report homepage
www.kingfisher.com/AR14-15

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Annual Statement from the Chairman of the Remuneration Committee

Dear Shareholder

I am pleased to present the 2014/15 Directors' Remuneration Report on behalf of the Board.

2014/15 is the first year that Kingfisher has operated under the Directors' Remuneration Policy that was approved by shareholders at the 2014 AGM. The Committee considers this policy to remain appropriate and therefore we will not be taking a policy to a vote at this year's AGM. For ease of reference an extract from the approved policy has been attached at the back of this report on pages 67 to 75.

Our work this year has focused on implementing remuneration under this policy. Further details are set out in this letter and in the Annual Report on Remuneration.

A year of transition

2014/15 saw a number of changes to the executive management team.

In June and September respectively we announced that Philippe Tible and Sir Ian Cheshire would be stepping down from the Board and leaving the Company at the end of the year. As set out in the Chairman's statement, both changes were a part of agreed succession processes. As a result, both Mr Tible and Sir Ian Cheshire were treated as good leavers under our remuneration policy and were allowed to retain unvested share awards.

Following a robust recruitment process, we are pleased to have appointed Véronique Laury as Chief Executive Officer. Ms Laury's remuneration arrangements were published on our website at the relevant time. The ongoing package structure is consistent with other executive directors. She received no enhancements or additional awards as part of her recruitment. The Company has provided her with support as part of her relocation.

All decisions taken by the Remuneration Committee in respect of these individuals were in line with the Remuneration Policy. Full details of the remuneration arrangements can be found in the Annual Report on Remuneration and further information regarding the CEO succession process can be found in the Nomination Committee Report on page 45.

Business outcomes

2014/15 was a challenging year. The results for 2014/15 reflected a mixed picture across our markets with the UK picking up but continental Europe, particularly France, proving to be a more challenging environment. In France, the slower economy and declining housing market affected our performance. In the UK & Ireland, retail profit grew, helped by initiatives to re-energise B&Q and by better demand for trade products as housing and construction activity improved.

Further information regarding the Group's performance during the year can be found in the Strategic Report on pages 2 to 29.

Incentive outcomes 2014/15

As a result of the challenging business environment outlined above, the Group financial measures for the 2014/15 annual bonus did not meet the threshold performance targets and so have not paid out. This reflects our rigorous approach to target setting and linking pay to performance. Stronger performance in B&Q resulted in 26.7% of the financial elements of Kevin O'Byrne's bonus paying out. The Committee has considered the personal performance of each director and determined the appropriate payout under this element of the bonus. Details are set out on page 53.

No LTIP awards had performance periods ending in 2014/15. Following our review of remuneration policy last year, we moved from the one-off LTIP award which supported the turnaround in 2011 to annual LTIP grants, the first of which will vest based on performance in 2016/17.

Implementation of Remuneration Policy in 2015/16

The Committee has considered salary increases for executive directors for 2015/16. Ms Laury joined the Board in December 2014 with a salary of £700,000 just before our salary review in February 2015. In the salary review no salary increases were made for Véronique Laury and Kevin O'Byrne. As outlined in last year's Remuneration Report, Karen Witts was appointed to the role of Chief Financial Officer at a salary below the market median with a plan to bring her up to median as she became established in role. Karen has developed strongly in the role and is now considered by the Remuneration Committee to be fully established. Accordingly her salary was increased by 4.8% to £550,000. This completes the phased movement in her salary since joining the Board and, from now on, she will be considered for salary reviews as for any other executive director. The average salary increase across the wider UK employee population was 2%.

Bonus and LTIP award levels for 2015/16 are consistent with awards granted in 2014/15. A working capital measure will replace the cash flow measure for the 2015/16 annual bonus to reflect a key management team focus in the coming year. The other annual bonus measures are consistent with the 2014/15 bonus. The LTIP will continue to be measured against EPS and KEP.

The Committee has considered the updated UK Corporate Governance Code, and has incorporated malus and clawback provisions into the annual cash bonus, deferred bonus and LTIP for 2015/16.

Wider employee considerations

The Committee is kept informed of remuneration arrangements across the Company and is mindful of ensuring all employees benefit from the success of Kingfisher.

Our employees benefited following the maturity of Sharesave awards during the year, with over 2,000 employees sharing an average of over £1,500 each. The majority of those receiving this additional remuneration were store-based colleagues at B&Q and Screwfix.

Participation in Sharesave continues to grow and this year a record number of employees joined our scheme.

Shareholder engagement

The Committee welcomes the views of shareholders on remuneration on an ongoing basis. We consulted extensively with shareholders in 2013/14 when developing our remuneration policy and received strong support at our 2014 AGM with 98.93% and 99.73% of shareholders voting in favour of our remuneration policy and remuneration report respectively.

I very much hope you will support the 2014/15 Annual Report on Remuneration at our forthcoming meeting in June, where I will be available to answer any questions about the work of the Committee.

Clare Chapman
Chairman of the Remuneration Committee
30 March 2015

At a Glance

Policy element	Véronique Laury	Kevin O'Byrne	Karen Witts
Base salary from 1 February 2015	£700,000	£639,540	£550,000
Pension	14% employer contribution into UK DC plan or cash alternative	20% employer contribution into UK DC plan or cash alternative	
Annual bonus	Maximum 200% of salary On target 100% of salary		
Annual bonus measures	For 2015/16 30% Group Profit Before Tax 30% Group Like-for-Like sales 20% Group Working capital 20% Personal		
Deferred bonus plan	50% of the annual bonus award is deferred for three years in Kingfisher shares		
LTIP	Maximum 200% of salary On target 100% of salary		
LTIP measures	For 2015/16 50% EPS growth: threshold 4% and maximum 11.5% annual compound growth 50% KEP with targets aligned to EPS growth		
Payment for threshold performance	For 2015/16 For the annual bonus this is 10% For the LTIP this is 25%		
Malus and clawback	Malus provisions will apply to LTIP and deferred bonus awards during the three year period prior to vesting Clawback will apply to cash bonus for three years post payment and to the LTIP for a two year period post vesting		
Dividends during vesting period	Participants are eligible for dividend equivalents		
Shareholding requirement	300% of salary	200% of salary	200% of salary
Shareholding at the year end: as a % of salary	80%	220%	72%
Requirement to be met by	December 2019	Date already passed	October 2017

Year end decisions made	Véronique Laury	Kevin O'Byrne	Karen Witts
1 February 2015 salary review	0.0%	0.0%	4.8%
2014/15 bonus outcomes:			
• Award value	£29,116	£452,794	£199,500
• As a % of maximum	14%	35%	19%
• As a % of salary	28%	70%	38%

Non-executive directors	From 1 February 2015	
Chairman fee and contribution to office costs	£453,587	No change
Basic NED fee	£62,425	No change
Additional fees:		
Senior Independent NED	£20,000	Increased from £17,425
Audit Committee Chairmanship	£20,000	No change
Remuneration Committee Chairmanship	£20,000	Increased from £15,000
Benefits paid to the Chairman and non-executive directors	Store discount of up to 20%	

Notes

The bonus awards made to former executive directors under the KISP were as follows: £203,760 to Sir Ian Cheshire representing 12% of maximum or 24% of salary and for the six months that he remained an executive director, £58,813 to Philippe Tible representing 12% of maximum and 24% of salary.

No LTIP was due to vest in respect of performance ending in 2014/15.

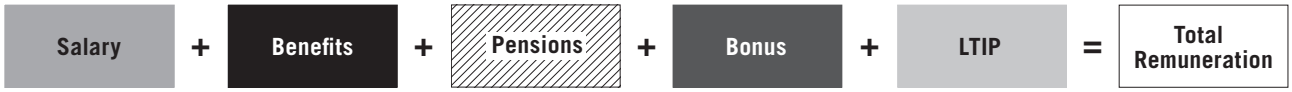
Under the Policy there is the flexibility to award an LTIP to the CEO for 250% of salary, although the award for 2015/16 will be 200%.

The bonus award for Ms Laury relates to the period from her appointment to Chief Executive Officer on 8 December 2014.

Illustrations of the application of the Remuneration Policy

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 2015/16. Potential outcomes based on different performance scenarios are provided for each executive director. The scenarios do not take into account share price appreciation or dividends.

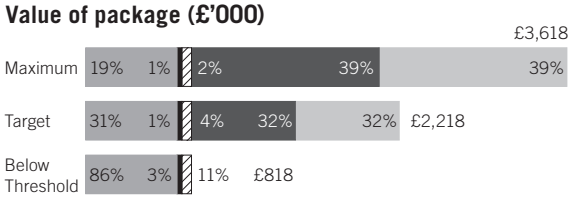
The total remuneration for each of the executive directors that could result from the Remuneration Policy in 2015/16 under three different performance levels is shown below.



Total Remuneration Performance Charts

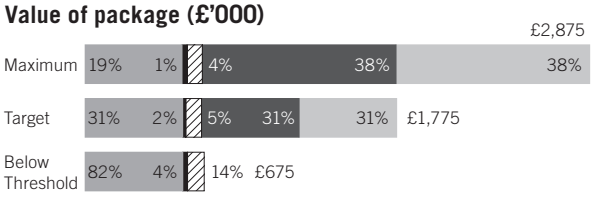
Véronique Laury

Value of package (£'000)



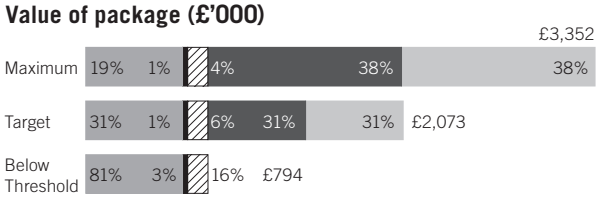
Karen Witts

Value of package (£'000)



Kevin O'Byrne

Value of package (£'000)



Notes

Base salary as at 1 February 2015.

Benefits: Estimate based upon benefits received during 2014/15 and recorded in the single figure table of remuneration.

Pension: As per single figure table based upon pension of 12.5% of base salary for Véronique Laury, 17.5% for Karen Witts and 20% for Kevin O'Byrne.

Below threshold performance would result in the payment of the fixed elements of pay only.

On-target performance is the level of performance required to deliver 50% of the maximum annual bonus and 50% of the full LTIP award, i.e. 100% of base salary under each scheme.

Maximum performance would result in the maximum bonus payment and 100% vesting of the LTIP award, i.e. 200% of base salary under each scheme.

Annual Report on Remuneration

The Annual Report on Remuneration explains how the Directors' Remuneration Policy was implemented for the financial year to 31 January 2015 and the resulting payments to each of the directors. The Annual Report on Remuneration, together with the Annual Statement from the Chairman of the Remuneration Committee, will be proposed for an advisory vote by shareholders at the Annual General Meeting to be held on 9 June 2015. These reports have been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 'Regulations') and also include the items required to be disclosed under UKLA Listing Rule 9.8.8R. Certain information has been subject to audit by the Group's auditor, Deloitte LLP.

Appointment of Véronique Laury as Chief Executive Officer

Véronique Laury was appointed as Chief Executive Officer on 8 December 2014. Details of her remuneration package are set out below. All elements of the package are in line with the approved Directors' Remuneration Policy.

Extract from Recruitment Policy	Application for Véronique Laury
Contract	Ms Laury was moved to a UK employment contract from her French contract and therefore has the same policy terms as other UK-based executive directors. Her new contract provides for 12 months' notice from either side, with provision for any termination sums to be paid in monthly instalments and to reduce/cease if she finds an alternative position. The maximum sum due under her contract will be 12 months' base salary only (with no allowance for benefits).
Base salary Base salary is set at an appropriate level to recruit the best candidate based on skills, experience and current remuneration.	Base salary was set at £700,000. This reflects Ms Laury's significant retail experience, knowledge of the Kingfisher business and her proven track record, including her time spent as Group Commercial Director and CEO Castorama France. It is the Company's intention to move her base salary towards the market median rate over the next three to four years. This may result in percentage reviews being in high single digits in some years as she develops and performs in her role.
Benefits Benefits will be in line with normal policy and may include, where appropriate, relocation benefits.	Benefits were offered on the same terms as other executive directors and within policy. Ms Laury is entitled to participate in the UK defined contribution pension scheme or to receive a cash alternative. Ms Laury's employer's pension contribution rate is set at 14%, which is lower than the maximum of 30% allowed under the policy. As Ms Laury was resident in France at the time of her appointment, the Company has provided support to set up a base in London. The amount of support to be provided has been capped at 50% of her annual base salary (inclusive of any tax payable on expenses reimbursed).
Incentives Normal incentive awards will be made under the annual bonus plan and long-term incentive plan in line with the Remuneration Policy.	The same award levels will apply as for other executive directors, i.e. a maximum of 200% of base salary for the annual bonus and 200% for the LTIP. The new annual bonus opportunity applied from the date of her appointment and the new LTIP award level will apply from the grant made in 2015.
Commitment made prior to appointment For internal promotions any commitments made prior to appointment may continue to be honoured as the executive is transitioned to the new remuneration arrangements.	With the exception of unvested share awards granted to Ms Laury prior to her promotion to Chief Executive Officer and the 2014/15 annual bonus up to her date of appointment, which will all continue to run their normal course, there are no historical arrangements being honoured.
Additional awards The Committee would be mindful of best practice guidelines in considering whether an enhanced LTIP or other award was necessary on recruitment.	No enhancements or additional awards were given.

Further details of her remuneration are set out within this Report.

Single total figure of Remuneration for the Executive Directors

(audited information)

The table below sets out the remuneration of each of the executive directors and former executive directors for the financial year ended 31 January 2015 and the comparative figures for the year ended 1 February 2014.

	1. Base salary £'000		2.Taxable benefits £'000		3.Bonus £'000		4.LTIP £'000		5.Pension £'000		Total £'000	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14[4]	2014/15	2013/14	2014/15	2013/14
Executive directors												
Véronique Laury[1]	**104.0**	-	**13.6**	-	**29.1**	-	**-**	-	**13.0**	-	**159.7**	-
Kevin O'Byrne	**639.5**	627.0	**26.8**	24.3	**452.8**	453.9	**-**	1,291.5	**126.4**	123.1	**1,245.5**	2,519.8
Karen Witts	**525.0**	484.5	**28.7**	26.3	**199.5**	319.8	**-**	558.5	**93.3**	103.1	**846.5**	1,492.2
Former executive directors												
Sir Ian Cheshire	**849.0**	832.3	**38.2**	30.6	**203.8**	532.7	**-**	1,678.2	**254.5**	260.4	**1,345.5**	3,334.2
Philippe Tible[2][3]	**245.1**	509.3	**4.4**	11.7	**105.2**	297.6	**-**	942.3	**104.9**	320.0	**459.6**	2,080.9
Total	**2,362.6**	2,453.1	**111.7**	92.9	**990.4**	1,604.0	**-**	4,470.5	**592.1**	806.6	**4,056.8**	9,427.1

(1) Ms Laury was appointed as Chief Executive Officer on 8 December 2014 and her remuneration for the period from her appointment to the financial year end is shown in the table above. Full details of Ms Laury's remuneration arrangements are set out on pages 52-55 and estimates of potential future remuneration can be found on page 49.

(2) Mr Tible stepped down as an executive director on 31 July 2014 and his remuneration for the six months from 2 February 2014 to 31 July 2014 is shown in the table above. All the awards have been converted from euros into sterling using the average exchange rate for the financial year of 1.24 (2013/14: 1.17).

(3) Bonus payments made to Mr Tible include a payment of £46,406 (2013/14: £58,190) in relation to the all employee Interessement and Participation schemes in France, as well as the award under the annual bonus which is detailed in the notes to the single figure table below.

(4) The value of the LTIP has been restated from the estimate disclosed in 2013/14 to take into account the movement in the share price and subsequent dividend equivalent shares received before the vesting date. The shares were valued in last year's report based on the average share price for the last three months of the 2013/14 financial year. The restatement has applied the actual share price at the date of vesting in June 2014 for the first tranche and the average share price for the last three months of the 2014/15 financial year for the second tranche which is not due to vest until June 2015. This has also fed into a restatement of the overall totals for 2013/14.

Notes to the single total figure of Remuneration for the Executive Directors

(audited information)

1. Base Salary

Executive directors' salaries were increased with effect from 1 February 2014. No other reviews took place during the year, with the exception of the review of Véronique Laury's remuneration arrangements relating to her appointment as Chief Executive Officer on 8 December 2014.

	As at 1 February 2014 £'000	As at 1 February 2013 £'000	% increase
Executive directors			
Véronique Laury	700.0[1]	n/a	n/a
Kevin O'Byrne	639.5	627.0	2%
Karen Witts	525.0	484.5	8%[2]
Former executive directors			
Sir Ian Cheshire	849.0	832.3	2%
Philippe Tible	490.1	509.3	2%[3]

(1) Base salary as at 8 December 2014 for Ms Laury.

(2) The increase for Ms Witts was disclosed in last year's report within the Statement of Implementation of Remuneration Policy. The basis of this increase was to bring her base salary towards market median recognising that she is developing in her role and has gained more experience as a Chief Financial Officer.

(3) The actual increase awarded to Mr Tible is shown on a constant currency basis reflecting the increase from €600,000 to €612,000.

2. Taxable Benefits

The benefits provided to executive directors and former executive directors for both 2014/15 and 2013/14 included car benefit (or cash allowance), private medical insurance, death-in-service cover, financial advice and, where applicable, relocation support.

	Car benefit[1] £'000	Medical £'000	Financial advice £'000	Relocation support[2] £'000	Sharesave[3] £'000	Life assurance £'000	Total 2014/15 £'000
Executive directors							
Véronique Laury	2.3	0.4	–	10.5	–	0.4	**13.6**
Kevin O'Byrne	22.2	1.9	–	–	–	2.7	**26.8**
Karen Witts	22.2	1.9	2.4	–	–	2.2	**28.7**
Former executive directors							
Sir Ian Cheshire	25.0	1.9	2.5	–	5.4[4]	3.4	**38.2**
Philippe Tible	3.7	0.7	–	–	–	–	**4.4**
Total	**75.4**	**6.8**	**4.9**	**10.5**	**5.4**	**8.7**	**111.7**

(1) Ms Laury and Mr Tible opted for a company car. Mr O'Byrne, Ms Witts and Sir Ian Cheshire opted for the cash allowance.

(2) Relocation support reflects the cost of relocation support incurred in 2014/15 for Ms Laury. This is the initial part of an overall budget provided of 50% of base salary inclusive of any tax payable on any expenses reimbursed.

(3) The monthly savings limit under the Sharesave Plan was increased in 2013/14 to £500 per month in line with the increased limits set by the UK Government and with the Remuneration Committee's discretion to make such increases as set out in the Remuneration Policy.

(4) Sir Ian Cheshire's Sharesave option matured on 1 December 2014. Having saved £250 a month over the three-year saving period, he exercised his option over 4,522 ordinary shares and retained all the shares. The shares were acquired at an option price of 199p per share, resulting in a notional gain of £5,382 based on the closing price of Kingfisher shares on 4 December 2014 (318.0p) when the option was exercised.

3. Annual Bonus

The executive directors' targets for the 2014/15 bonus were based on both financial targets and individual objectives as set out in the tables below, with annual bonus payments determined by reference to performance over the financial year ending 31 January 2015. For the financial targets, achievement is calculated on a straight-line basis between start to earn and target and between target and maximum.

The table below shows the target ranges set and the outcomes achieved as a % of maximum.

Targets

Financial measures	Minimum	Target	Maximum	Achieved
Group	10% of maximum	50% of maximum		
Profit Before Tax	£700.9m	£718.5m	£736.0m	£674.7m
Like-for-Like sales	1.6%	2.5%	3.9%	0.5%
Cash flow	£902m	£942m	£1,059m	£831.2m
Brico Dépôt/Castorama Division				
Retail operating profit	£527.5m	£565.1m	£592.0m	£472.1m
Like-for-Like sales	1.6%	2.6%	4.0%	(0.3%)
Cash flow	£656m	£679m	£747m	£554.2m

Outcomes

Executive directors	Véronique Laury	Kevin O'Byrne	Karen Witts	Sir Ian Cheshire	Philippe Tible
Business level targets set	Group	B&Q UK	Group	Group	Brico Dépôt/Castorama
% of performance target achieved					
Profit Before Tax	0/30	18/30	0/30	0/30	0/30
Like-for-Like sales	0/30	3.4/30	0/30	0/30	0/30
Cash flow	0/20	0/20	0/20	0/20	0/20
Personal	14/20	14/20	19/20	12/20	12/20
Total (as a proportion of maximum opportunity)	14/100	35.4/100	19/100	12/100	12/100
Award level	£29,116	£452,794	£199,500	£203,760	£58,813

Notes

Targets are shown on the same currency basis as the out turns.

The values above for Ms Laury and Mr Tible relate to the bonus earned for the period they were executive directors.

The targets for Mr O'Byrne were set at business unit level. These are considered commercially sensitive and are therefore not disclosed.

The annual bonus will be paid in April 2015 for the financial year 2014/15. For the current executive directors, 50% of the annual bonus awarded will be deferred for a period of three years in Kingfisher shares, and be due to vest in 2018. Former executive directors will receive their bonus award wholly in cash.

4. LTIP

The value of LTIPs shown in the single figure table shows the level of award resulting from targets set and measured over the relevant reporting period. The 2011 PSP award level was determined with reference to performance ending in 2013/14. Therefore, although the vesting of this award was in two equal tranches in June 2014 and June 2015, the full combined value of the two elements was shown in 2013/14 using the share price for the last three months of the 2013/14 financial year. There was no LTIP based on performance ending in 2014/15 and hence the value for the 2014/15 column is nil.

The shares which vested during the financial year on 17 June 2014 under the first tranche are set out below along with the second tranche which is due to vest on 17 June 2015.

	Total number of shares vesting for 2011 PSP(1)	Number of shares vesting in first tranche on 17 June 2014(2)	Value of shares vesting in first tranche on 17 June 2014(3)	Balance of shares due to vest as second tranche on 17 June 2015(4)	Current value of second tranche shares(5)	Restated value of both tranches for single table figure
Executive directors						
Véronique Laury	n/a	n/a	n/a	24,427	£77,993	n/a
Kevin O'Byrne	369,175	187,652	£678,925	191,863	£612,601	£1,291,526
Karen Witts	159,653	81,151	£293,604	82,971	£264,919	£558,523
Former executive directors						
Sir Ian Cheshire	502,079	255,207	£923,339	236,407	£754,826	£1,678,165
Philippe Tible(2)(3)	282,018	143,299	£518,456	132,740	£423,826	£942,282

(1) As disclosed in last year's Report.

(2) This is the first tranche, being half of the total number of shares vesting adjusted for dividend equivalents between the 2013/14 year end and the vesting date.

(3) Shares valued at 361.80p, being the closing price of Kingfisher shares on the vesting date.

(4) This is the second tranche, being the second half of the total number of shares vesting adjusted for dividend equivalents during the 2014/15 financial year and time prorated for the two former executive directors.

(5) Since these awards had not vested at the date this Report was finalised, the average share price for the last three months of the 2014/15 financial year (319.29p) has been used to determine the value.

5. Pensions

(audited information)

UK pension arrangements

Executive directors based in the UK are eligible to join the UK defined-contribution pension plan (the 'DC Scheme').

The Company operates a policy to limit the combined employer and member pension contributions during a tax year to the annual allowance (currently £40,000), with the excess employer contribution being directed into a taxable monthly cash allowance. In addition, executive directors may choose to opt out of the DC Scheme completely, for example, if they have reached the lifetime allowance (currently £1.25m).

A summary of the arrangements for the UK-based executive directors is set out below.

	Employer contribution rate into defined contribution pension scheme	Member of the UK DC Scheme	Cash allowance in lieu of employer contributions into DC Scheme
Executive directors			
Véronique Laury	14%	No	Yes, in full
Kevin O'Byrne	20%	No	Yes, in full
Karen Witts	20%	Yes	Yes, in excess of the annual allowance
Former executive directors			
Sir Ian Cheshire	30%	Yes	Yes, in excess of the annual allowance

Cash allowances are provided on a cost-neutral basis for the Company. This means that a discount is applied for those executive directors joining after the introduction of pension salary sacrifice (SMART pensions) in 2012. This takes into account the fact that employer's national insurance is payable on the cash alternative whereas currently it is not payable on employer pension contributions into the defined-contribution scheme. Accordingly, the cash alternative for Véronique Laury is 12.5% of base salary and 17.5% of base salary for Karen Witts.

Based on Véronique Laury's current working pattern and her habitual residency status, there is a legal requirement for her to remain in the French social security system rather than move to the UK system. Ms Laury's pension benefit has been reduced to the employer contribution rate available to all UK employees to take into account the fact that she will continue to accrue pension rights in the French state system. This will be continually monitored and, in the event that she does revert to the UK social security system, her pension benefit may increase to an employer DC contribution of 20% of salary or a cash alternative of 17.5%, in line with the approved Remuneration Policy.

Non-UK pension arrangements

Philippe Tible was a member of a separate French defined benefit pension scheme. A condition for a pension to crystallise under this scheme required Mr Tible to leave the Kingfisher Group no earlier than his 62nd birthday. This condition was met following the termination of his contract of employment on 31 January 2015. On leaving the Group he qualified for a deferred defined benefit pension of €225,289 based on 12 years of service with the Company which could be drawn from the scheme's normal retirement date at the age of 65. The scheme allows for the early drawing of the pension providing a 3% discount factor is applied for each year it is drawn early, for which Mr Tible opted. Accordingly, the final pension payable which Mr Tible started to draw from his date of leaving was €213,928 per annum.

During the year the relevant French works councils and the potential beneficiaries of this scheme were informed of its closure from the end of the 2014/15 financial year. Mr Tible will be the last executive to qualify for a defined benefit pension under this scheme.

Pension benefits paid during the year

	Employer contributions into DC Scheme £'000	Cash alternative £'000	Total 2014/15 £'000
Executive directors			
Véronique Laury	n/a	13.0	13.0
Kevin O'Byrne	n/a	126.4	126.4
Karen Witts(4)	1.4	91.9	93.3
Former executive directors			
Sir Ian Cheshire(4)			
Defined contribution or cash alternative	0.0	254.3	254.3
Movement on historical defined benefit pension(1)	n/a	n/a	0.2(2)
Total			254.5
Philippe Tible	n/a	n/a	104.9(3)

(1) Sir Ian Cheshire is eligible to a deferred pension from the Kingfisher defined-benefit section, which was closed to future accrual of benefits on 30 June 2012. This was a final salary scheme but was subject to a scheme salary cap of £136,200 at the date of closure. At his date of termination on 31 January 2015, the value of pension was £34,997, which can be drawn from the normal retirement date of the age of 65. Sir Ian has chosen to draw his pension immediately resulting in a 3% discount being applied per year of early drawing.

(2) The increase in Sir Ian's defined-benefit arrangement over the year was an indexation uplift of 0.7% (£243) to £34,997. The methodology for reporting purposes takes the difference between the opening deferred pension position adjusted for CPI and the closing position which has been adjusted for RPI.

(3) The increase in Mr Tible's defined-benefit pension accrual is shown for the six month period that he was an executive director to be consistent with the other reward elements. Over the full year the increase in pension accrual was £211,465.

(4) Salary sacrifice member contributions into the Kingfisher DC Scheme were made by Sir Ian Cheshire and Karen Witts to the value of £41,672 and £40,250 respectively.

Payments for loss of office

(audited information)

The table below sets out the treatment in relation to the executive directors who left the business during the year, which was applied in line with the Remuneration Policy. Sir Ian Cheshire received a total payment for loss of office of £938,970 and Philippe Tible received a total payment for loss of office of £610,338. A breakdown below also includes the treatment of the individuals' incentive schemes.

Extract from Remuneration Policy	Application	
	Sir Ian Cheshire	**Philippe Tible**
	Stepped down as Chief Executive Officer with effect on 8 December 2014 but remained as an executive director until leaving the Company on 31 January 2015.	Stepped down as an executive director with effect on 31 July 2014 and left the Company on 31 January 2015.
Base salary, benefits and pension If notice is served by either party, the executive director may continue to receive base salary, benefits and pension for the duration of their notice period.	Notice was served on 10 September 2014 when the Group's succession programme was publicly announced. Sir Ian Cheshire continued to receive his base salary, benefits and pension contributions as normal for the period up to 31 January 2015.	From 1 August 2014, Mr Tible was employed on his existing terms until 31 October 2014. Thereafter he continued to be employed on a part-time basis and his salary was prorated accordingly. He continued to receive his fixed employment benefits (e.g. company car, medical insurance) in full. He also continued to participate in the pension scheme as normal up to his departure date.
Payment in lieu of notice For any period of notice not served: • Sir Ian Cheshire would receive phased payments of 15% of base salary respectively for a maximum of 12 months subject to mitigation; • Philippe Tible would receive a payment of a maximum of three months' remuneration.	Sir Ian Cheshire is eligible for a monthly payment of £127,350 for a maximum of just over seven months, this being the balance of his 12-month notice period not worked. The maximum value of payments under the liquidated damages, in the event that mitigation is not applied, would be £931,970.	Notice was served between the period from the external announcement at the 2014 AGM to the leaving date. As such there was no outstanding notice period remaining at the point of departure and no payment in lieu of notice was payable.
Dismissal indemnity Dismissal indemnity determined by the collective convention applicable to all French employees.	–	As legally required, €297,000 (£232,249) was paid based on 3% of annual remuneration per year of service with the Group.
Settlement agreement In the event of a settlement agreement, the Committee may agree payments it considers reasonable in settlement of legal claims.	–	€150,000 (£117,297) was paid on departure in respect of statutory rights under protection legislation in France.
Non-Compete 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 if his employment is terminated by the Company.	–	€318,500 (£249,062) to be paid in 12 equal monthly instalments following Mr Tible's departure. This amount is standard practice under French law in order to ensure that the non-compete provision is enforceable.
Annual Bonus If notice is served by either party, the executive director may receive bonus payments in cash on a prorated basis from the start of the financial year up to the date of termination of employment, based on the determination of the results at the year end against targets set.	Sir Ian Cheshire was eligible for a 2014/15 annual bonus as normal as he was employed for the full financial year. The personal weighting of the performance measures attaching to the annual bonus (20% of the bonus mix) was assessed based on the successful handover to his successor Véronique Laury for the period from 10 September 2014 to 31 January 2015. The overall bonus award was £203,760.	Mr Tible was eligible for the 2014/15 annual bonus payment as normal for the six month period he was an executive director for which he received £58,813. He continued to be eligible for a bonus in his new role based on specific objectives relating to the Mr Bricolage acquisition, although the award level determined at the year end was nil.

Deferred Bonus Deferred bonus awards granted under the KISS lapse if the executive director resigns or is dismissed for cause. In all other circumstances, the award will vest in full on the date of cessation of employment. Note that awards granted under the KISP from 2015 onwards in 'good leaver' circumstances would vest on the normal vesting date.	These vested in full at the date of termination. The shares were valued at £1,007,973 (based on 294,041 shares).	These vested in full at the date of termination. The shares were valued at £542,536 (based on 158,266 shares).
LTIP If an executive director ceases to be employed as a result of a reason defined as a good leaver within the rules of the KISP or the PSP, which includes ill-health, retirement or any reason at the discretion of the Committee, then the awards will vest on the normal vesting date, but will be adjusted on a time prorated basis (unless the Committee decides, acting fairly and reasonably, that such an adjustment would be inappropriate).	The second tranche of the award granted under the Performance Share Plan in 2011 will vest on the normal vesting date of 15 June 2015 and will be prorated (90.6%) to take into account the length of time Sir Ian Cheshire was employed over the vesting period. The estimated face value of the shares taking into account the pro-rata is £810,403 (based on 236,407 shares).	The second tranche of the award granted under the Performance Share Plan in 2011 will vest on the normal vesting date of 15 June 2015 and will be prorated (90.6%) to take into account the length of time Mr Tible was employed over the vesting period. The estimated face value of the shares taking into account the pro rata is £455,033 (based on 132,740 shares).
Other Reasonable reimbursement of professional fees in connection with settlement agreements.	A contribution of £7,000 was made towards legal fees.	A contribution of €15,000 (£11,730) was made towards legal fees.

Sir Ian Cheshire and Mr Tible were not granted long-term incentive awards under the KISP in 2014/15.

The face value of unvested awards at the date of departure has been calculated at 342.80p per share, being the closing price of Kingfisher shares on 30 January 2015.

Payments in euros have been converted into sterling using the average exchange rate for the last three months of the financial year (1.2788).

Payments to past directors

There were no payments to past directors.

Outside appointments for executive directors

Subject to the rules governing conflicts of interest, the Company is supportive of its executive directors holding 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.

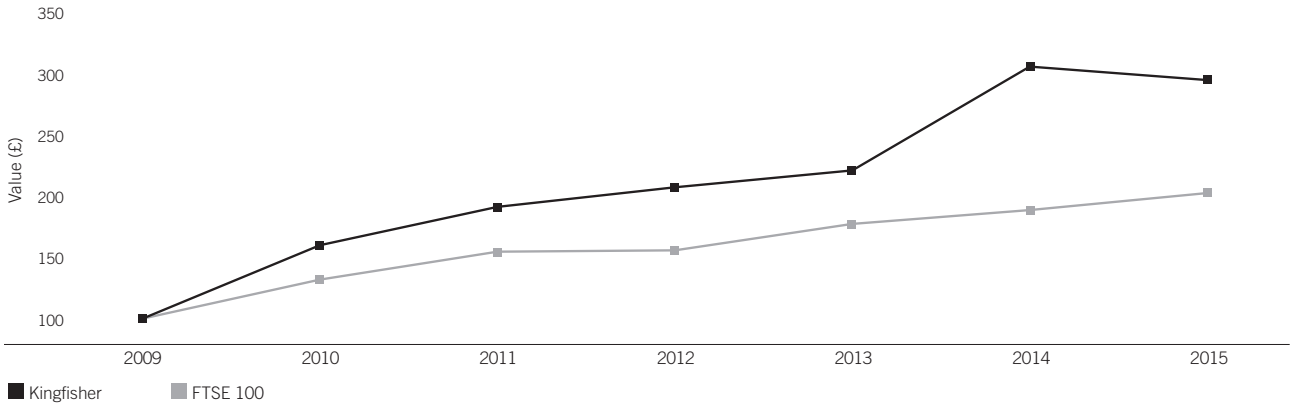
Sir Ian Cheshire is a non-executive director, member of the Remuneration Committee and Senior Independent Director of Whitbread plc, and is paid £55,000, £5,000 and £10,000 per annum respectively for fulfilling these roles and he retained these fees. In addition, Sir Ian Cheshire was lead non-executive member of the Department for Work and Pensions Board until November 2014, for which he waived his fee.

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 £67,500, £10,000 and £17,500 per annum respectively for fulfilling these roles. He retains these fees.

Karen Witts is a non-executive director of Imperial Tobacco Group plc, and is paid £75,000 per annum for fulfilling this role. She retains these fees.

Performance graph

The graph below shows Kingfisher's total shareholder return ('TSR') for the six years to 31 January 2015, which assumes that £100 was invested in Kingfisher on 1 February 2009. 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.



Chief Executive Officer's remuneration over the last six years

The table below sets out the total remuneration of the holder of the office of Chief Executive Officer for the period from 1 February 2009 to 31 January 2015.

Year	Chief Executive Officer	Bonus % of maximum awarded[1]	Value of bonus awarded £'000	Original LTIP grant level as a % of salary%[2]	LTIP % of maximum vesting %	Value of vested shares £'000	**Chief Executive Officer's single figure £'000**
2009/10	Sir Ian Cheshire	98.7	1,610.8	125	44.6	265.9	**3,067.8**
2010/11	Sir Ian Cheshire	83.8	1,367.6	200	100.0	2,819.7	**5,350.8**
2011/12	Sir Ian Cheshire	93.5	1,525.9	200	98.9	6,083.0	**8,628.3**
2012/13	Sir Ian Cheshire	30.8	502.7	200	50.0	1,157.6	**2,817.2**
2013/14	Sir Ian Cheshire	32.0	532.7	500	31.1	1,678.2[3]	**3,334.2**
2014/15[4]	Sir Ian Cheshire (45 weeks)	12.0	173.5	n/a	n/a	n/a	**1,146.4**
2014/15[4]	Véronique Laury (7 weeks)	14.0	29.1	n/a	n/a	n/a	**159.7**
2014/15	Total (52 weeks)	12.3	202.6	n/a	n/a	n/a	**1,306.1**

(1) The maximum bonus opportunity was 200% of base salary for all six years.

(2) The original LTIP grant level shows the award level initially given three years prior to the date the vesting percentage was determined.

(3) The value of the LTIP for 2013/14, when the award level for the 2011 PSP was determined, has been restated using the share price at the date of vesting for the first tranche, which vested in June 2014, and the average share price for the last three months of the 2014/15 financial year for the second tranche, which is due to vest in June 2015.

(4) Sir Ian Cheshire stepped down as Chief Executive Officer on 8 December 2014 and Ms Laury took over the position on this date. Sir Ian Cheshire's remuneration in the table is from the start of the financial year up until 8 December 2014, and Ms Laury's is from 8 December to the end of the financial year.

Change in the remuneration of the Chief Executive Officer

The table below shows how the percentage change in the Chief Executive Officer's salary, benefits and bonus between 2013/14 and 2014/15 compared with the average percentage change in the average of each of those components for all full-time equivalent employees based in the UK. The UK employee workforce was chosen as a suitable comparator group as the Chief Executive Officer is based in the UK (albeit with a global role and responsibilities) and pay changes across the Group vary widely depending on local market conditions.

As required by statute, the table shows the details for the Chief Executive Officer role and therefore includes a combination of the remuneration of Sir Ian Cheshire and Véronique Laury for 2014/15. As Ms Laury's overall remuneration is lower than Sir Ian Cheshire's, the calculation for 2014/15 results in a downward movement in the year-on-year percentage change. If the table below reflected Sir Ian Cheshire's remuneration for the full financial year, the percentage movement on a like-for-like basis would be an increase of 2.0% in base salary and a decline of 21.8% across the three elements combined. The significant benefits movement for the Chief Executive Officer is due to the inclusion of initial relocation support offered to Ms Laury in 2014/15 and the Sharesave Plan that vested for Sir Ian Cheshire.

	Chief Executive Officer		All UK Employees
	To 31 January 2015 £'000	Percentage change 2014/15 vs 2013/14	
Base Salary	826.9	(0.7%)	2.8%
Taxable Benefits	46.9	53.4%	1.3%
Annual Bonus	202.6	(62.0%)	32.9%
Total	**1,076.4**	**(22.9%)**	**5.2%**

Relative importance of spend on pay

The table below shows the relative importance of spend on employee remuneration when compared with distributions to shareholders.

£m	2014/15	2013/14	Percentage change
Overall expenditure on pay	1,561	1,587	(1.6%)[1]
Ordinary dividend paid in the year	234	224	4.5%
Special dividend paid in the year	100	–	–
Total dividends paid in the year	334	224	49.1%

(1) The decline year-on-year is caused by foreign exchange rate movements. On a constant currency basis, the increase is a 2.2% change.

Executive directors' shareholdings and share interests

(audited information)

Executive directors are required to build a significant shareholding in the Company within five years from the date of their first award under a qualifying plan. Unvested awards are not included when assessing holding requirements. Vested awards are included when assessing holdings, but are adjusted to take account of the tax liability arising on exercise.

The table below sets out the beneficial interests in the ordinary shares of the Company of the executive directors and a summary of outstanding share awards as at 31 January 2015. Calculations are based on a share price of 342.8p (being the closing price of a Kingfisher share on 30 January 2015).

	Shares held		Awards over nil cost options					
Name	No of shares held outright		Vested but not exercised[1][2]	Unvested and subject to continued employment[3]	Unvested and subject to performance conditions and continued employment[4]	Shareholding requirement (% of base salary)	Shareholding 31 January 2015 (% of base salary)	Date by which shareholding requirement to be achieved
Executive directors	**31 Jan 2015**	**1 Feb 2014**						
Véronique Laury[6]	150,577	n/a	24,427	71,457	124,204	300%	80%	December 2019
Kevin O'Byrne[6]	410,698	141,431	–	414,429	355,004	200%	220%	October 2013
Karen Witts[5][6]	110,202	58,283	–	130,244	291,423	200%	72%	October 2017
Former executive directors								
Sir Ian Cheshire	2,555,970	2,348,088	294,041	530,448	–	300%	1,095%	n/a
Philippe Tible	379.623	589,461	158,266	132,740	–	200%	324%	n/a

(1) Vested but not exercised shares for Ms Laury relate to shares which vested under the first tranche of the 2011 PSP in June 2014.

(2) Nil-cost options and awards which have vested but have yet to be exercised are considered to count towards the shareholding requirement, other than any such shares that correspond to the estimated income tax and national insurance contributions that would arise on their exercise (estimated at 47% of the value of the award).

(3) Includes options granted to Karen Witts and Kevin O'Byrne under an HMRC-approved sharesave plan and for Karen Witts an option granted under the CSOP, a HMRC- approved plan.

(4) Relates to the 2014 LTIP granted on 15 September 2014.

(5) Between 1 February 2015 and the date of this report, Karen Witts acquired 86 partnership shares under the Kingfisher Share Investment Plan (SIP).

(6) As potential beneficiaries of the Kingfisher Employee Benefit Trust (the 'Trust') Véronique Laury, Kevin O'Byrne and Karen Witts are deemed to have an interest in the Company's ordinary shares held by the Trust. The Trust held 8,230,202 ordinary shares at 31 January 2015.

Share awards made during the financial year

(audited information)

Options and awards over shares were made during the year ended 31 January 2015 under the Kingfisher Incentive Share Scheme ('KISS') in respect of the deferred share element of the 2013/14 annual bonus, the Kingfisher Incentive Share Plan ('KISP') for the 2014 LTIP Award and the Sharesave scheme.

1. Deferred element of the 2013/14 annual bonus

The only qualifying condition for the deferred bonus awards to vest is for the executive director to remain in the employment of the Company at the vesting date.

Name	Date of grant	Number of shares	Face value of award £	Vesting date	Final exercise date
Executive directors					
Véronique Laury	23 April 2014	7,459	31,229	23 April 2017	23 October 2017
Kevin O'Byrne	23 April 2014	36,142	151,316	23 April 2017	22 April 2021
Karen Witts	23 April 2014	25,459	106,590	23 April 2017	22 April 2021
Former executive directors[2]					
Sir Ian Cheshire	23 April 2014	42,410	177,562	31 January 2015	31 July 2015
Philippe Tible	23 April 2014	18,412	77,089	30 January 2015	30 July 2015

Notes

The KISS awards were granted on 23 April 2014 and were calculated by reference to the average share price for the three dealing days prior to grant of 418.67p per share.

The awards are structured as nil-cost options. The UK awards have an exercise period of four years less one day, and overseas awards have an exercise period of six months.

Leavers have six months to exercise awards from the date of termination.

2. 2014 LTIP Award

The vesting of LTIP awards is conditional on continued employment and the achievement of performance conditions.

Name	Date of grant	Number of shares	Face value of award £[1][2]	Vesting date	Final exercise date[3]
Executive Directors					
Véronique Laury[4]	15 September 2014	124,204	393,164	3 July 2017	14 September 2021
Kevin O'Byrne	15 September 2014	355,004	1,123,753	3 July 2017	14 September 2021
Karen Witts	15 September 2014	291,423	922,490	3 July 2017	14 September 2021

(1) Based on the average share price for the three dealing days prior to grant date on 15 September 2014 of 316.55p per share.

(2) The main grant date for the 2014 LTIP was 3 July 2014. At the time of grant, the business was considering plans for CEO succession, and as this was considered to be potentially price-sensitive, there were restrictions on share dealing for certain senior individuals which included the executive directors at the time and Ms Laury. As a result the grant was delayed until shortly after the public announcement on CEO succession on 10 September 2014. The share price between the two dates fell, so in order to prevent executive directors benefiting from the delay, the number of shares awarded was based on 200% of salary using the share price at the main grant date on 3 July 2014. As well as not benefiting from the delayed grant, the Company did not wish for executive directors to be disadvantaged. The vesting date for the main grant was therefore applied, being 3 July 2017. This explains why the face value of the award in the table is less than 200% of salary and why the vesting period is less than three years.

(3) All awards lapse seven years less one day from the actual date of grant.

(4) The award for Ms Laury was based on her position before her appointment as Chief Executive Officer.

The performance measures attached to the 2014 LTIP were EPS and KEP with equal weighting of 50% each. A definition of KEP is included in the glossary. The targets for the EPS element were as follows:

Performance Measure	Threshold – 25% vesting	Maximum – 100% vesting
Earnings per share – compound annual growth up to 2016/17	4%	11.5%

The EPS growth targets were set to be consistent with market practice in the FTSE 100 and in particular the retail sector. The intention is to operate this range consistently over the policy period. The threshold level of performance provides for real growth, which is considered suitably challenging in what remains an uncertain economic environment, but sets an achievable level of performance to ensure participants place value on the plan and are motivated by it. The Maximum performance level ensures that full vesting is only achieved for outstanding double-digit performance over a three-year period, well in advance of typical industry growth rates.

KEP targets are calibrated to be consistent with the EPS growth targets, recognising that in weaker performance scenarios offsetting capital efficiencies should be identified, whereas stronger performance scenarios may allow increased capital investment. The Board considers the KEP targets to be commercially confidential because of the additional information they contain regarding potential capital investment plans, and so these targets will be disclosed in full at the point of vesting of the award.

3. Sharesave scheme

Name	Plan	Date of grant	Number of shares	Face value of award £[2]	Vesting date	Final exercise date
Karen Witts	Sharesave 5[1] year option	21 October 2014	6,011	17,672	1 December 2019	31 May 2020

(1) The exercise price for the option is 252.0p which is based on a discount of 20% to the share price when the invitations to participate were issued.

(2) Based on share price at grant date of 294.0p.

Scheme interests exercised during the financial year
(audited information)

Name		Number of shares	Exercise price per share (p)	Total exercise price £'000	Date of exercise	Market value of shares at date of exercise (p)	Gain on exercise of options £'000
Executive directors							
Kevin O'Byrne	Performance Share Plan – 2008 Award	328,411	Nil	Nil	18/09/2014	314.78	1,033.8
	Performance Share Plan – 2008 Award	350,000	Nil	Nil	26/09/2014	318.02	1,113.1
	Performance Share Plan – 2008 Award	198,208	Nil	Nil	28/10/2014	294.72	584.2
	Performance Share Plan – 2009 Award	79,504	Nil	Nil	28/10/2014	294.72	234.3
	Performance Share Plan – 2010 Award	277,587	Nil	Nil	28/10/2014	294.72	818.1
	Performance Share Plan – 2011 Award	191,864	Nil	Nil	28/10/2014	294.72	565.5
	Kingfisher Incentive Share Scheme (KISS) – 2010 Award	207,301	Nil	Nil	28/10/2014	294.72	611.0
	Kingfisher Incentive Share Scheme (KISS) – 2011 Award	123,966	Nil	Nil	28/10/2014	294.72	365.4
	Company Share Option Plan (CSOP) – 2011 Award[1]	10,917	274.8	30.0	18/09/2014	314.78	4.4
	CSOP underpin: KISS – 2011 Award[1]	10,672	Nil	Nil	18/09/2014	314.78	33.6[2]
Karen Witts	Performance Share Plan – 2012 Award	82,101	Nil	Nil	18/09/2014	315.20	258.8
Former executive directors							
Sir Ian Cheshire	Performance Share Plan – 2011 Award	258,196	Nil	Nil	16/09/2014	312.88	807.8
	Kingfisher Incentive Share Scheme – 2011 Award	171,167	Nil	Nil	16/09/2014	312.88	535.5
	Company Share Option Plan – 2011 Award[1]	10,917	274.8	30.0	16/09/2014	312.88	4.2
	CSOP underpin: KISS – 2011 Award[1]	10,730	Nil	Nil	16/09/2014	312.88	33.6[2]
	Sharesave – 2011 Award	4,522	199.0	9.0	04/12/2014	318.00	5.4
Philippe Tible[3]	Kingfisher Incentive Share Scheme – 2011 Award	113,047	Nil	Nil	06/05/2014	423.80	479.1
	Performance Share Plan – 2011 Award	94,189	Nil	Nil	17/06/2014	361.80	340.8
	Performance Share Plan – 2012 Award	38,210	Nil	Nil	17/06/2014	361.80	138.2

(1) The CSOP is an HMRC-approved plan, where gains on exercise are subject to capital gains tax. The CSOP awards are underpinned by a KISS award over the same number of shares. At the time of exercise, sufficient CSOP underpin shares are exercised to meet the total option price of the CSOP award (£30,000). The proceeds are paid to Kingfisher and the CSOP award subsequently exercised. The excess CSOP underpin shares (which by definition are to the same value as the capital gain on the CSOP) then lapse.

(2) This is made up of the £30,000 used to fund the exercise of the CSOP plus the value of dividend equivalents accrued over the period.

(3) For the period that Mr Tible remained an executive director.

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 Investment Association 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. The Committee regularly monitors the position and prior to the making of any award considers the effect of potential vesting of options or share awards to ensure that the Company remains within these limits. Any awards which are required to be satisfied by market purchased shares are excluded from such calculations. No treasury shares were held or utilised in the year ended 31 January 2015.

Implementation of Remuneration Policy for Executive Directors in 2015/16

Base Salary

	Base Salary £'000		
	As at 1 February 2015	As at 1 February 2014	% increase
Véronique Laury	700.0	n/a	n/a
Kevin O'Byrne	639.5	639.5	0%
Karen Witts	550.0	525.0	4.8%

Implemented in line with policy. On 1 February 2015, Karen Witts received an increase to bring her salary towards the market median in her role as she gained more experience as a Chief Financial Officer. This is a second and final adjustment to align her with the market following her appointment in 2012.

It is the Company's intention to move Ms Laury's base salary towards the market median over the next three to four years. This may result in percentage reviews being in high single digits as she develops and performs in her role.

Benefits

Implemented in line with Policy.

Pension

Implemented in line with Policy.

Annual Bonus 2015/16

Implemented in line with Policy.

The weightings of the metrics in the annual bonus scheme for 2015/16 are as follows:

Profit before tax – 30%

Like-for-like sales – 30%

Working capital – 20%

Personal objectives – 20%

For the financial metrics, all executive directors will be measured on Group performance.

At threshold level of performance, the award will be 10% of maximum.

Profit before tax excludes exceptional items according to the judgement of the Committee.

Like-for-like sales is set as an absolute target, but the Committee applies judgement in measuring the outcome against target, taking into account sales growth against the local market out-turn and any consequent increase or decrease in market share.

Any exchange rate upsides/downsides will be removed from the results when determining award levels, since they are considered to be outside the executive directors' control.

In the opinion of the Board/Remuneration Committee, the annual bonus performance conditions and personal objectives for 2015/16 are commercially sensitive and accordingly are not disclosed. These will be disclosed retrospectively next year to the extent that they are not commercially sensitive.

Long-Term Incentive Plan 2015

Implemented in line with Policy. The performance measures to be attached to the 2015 LTIP are EPS and KEP with equal weighting of 50% each. A definition of KEP is included in the glossary. The targets for the EPS element are as follows:

Performance Measure	Threshold - 25% vesting	Maximum – 100% vesting
Earnings per share – compound annual growth up to 2017/18	4%	11.5%

The EPS growth targets were set to be consistent with market practice in the FTSE 100 and in particular the retail sector. The intention is to operate this range consistently over the policy period. The threshold level of performance provides for real growth, which is considered suitably challenging in what remains an uncertain economic environment, but sets an achievable level of performance to ensure participants place value on the plan and are motivated by it. The maximum performance level ensures that full vesting is only achieved for outstanding double-digit performance over a three-year period, well in advance of typical industry growth rates.

KEP targets are calibrated to be consistent with the EPS growth targets, recognising that in weaker performance scenarios offsetting capital efficiencies should be identified, whereas stronger performance scenarios may allow increased capital investment. The Board considers the KEP targets to be commercially confidential because of the additional information they contain regarding potential capital investment plans so these targets will be disclosed in full at the point of vesting of the award.

Malus and clawback

As a result of the UK Corporate Governance Code published in 2014, clawback provisions have now been included in the rules of the annual bonus scheme and the Kingfisher Incentive Share Plan.

Clawback provisions will apply for three years from the award of an annual bonus and two years from the vesting of a long-term incentive.

The malus and clawback provisions allow unvested awards to be reduced or delivered awards to be recovered in the following circumstances:

- The Company's financial results being materially misstated;
- The determination of the award being made in error;
- The actions of a participant leading to the Company suffering reputational damage; or
- Material misconduct of a participant.

Single Total Figure of Remuneration for the Non-Executive Directors

(audited information)

Fees payable to non-executive directors

The table below sets out the remuneration of each of the non-executive directors for the financial year ended 31 January 2015 and the comparative figures for the year ended 1 February 2014. During the year, no payments were made to non-executive directors for expenses other than those incurred in the ordinary course of their appointments.

	Additional Responsibilities	Committee Membership	Fees 2014/15 £'000	Fees 2013/14 £'000
Daniel Bernard[1][2]	Chairman, Chairman of the Nomination Committee	▲ ■	453.6	472.4
Andrew Bonfield	Chairman of the Audit Committee	▲ ● ■	82.4	81.2
Pascal Cagni		■	62.4	61.2
Clare Chapman	Chairman of the Remuneration Committee	▲ ■	77.4	76.2
Anders Dahlvig		● ■	62.4	61.2
Janis Kong		▲ ● ■	62.4	61.2
Mark Seligman	Senior Independent Director	● ■	79.9	78.6
Total			**880.5**	**892.0**

(1) Daniel Bernard is paid a fee by a service company, Provestis. Kingfisher pays Provestis a fee for the provision of the Chairman and a contribution towards the cost of running an office in Paris of €61,800. The sterling equivalent has been calculated using the average exchange rate during the financial year of 1.24 for 2014/15 and 1.17 for 2013/14.

(2) The figure for the Chairman's fees shown in last year's Implementation Report as at 1 February 2014 applied the average exchange rate for 2013/14 as an estimate leading to a fee of £480,800. The updated figure above of £453,600 applies the average exchange rate for 2014/15.

Committee Membership Key

▲Remuneration Committee ●Audit Committee ■Nomination Committee

Notes to the single total figure of Remuneration for the Non-Executive Directors
(audited information)

1. Fees
The Chairman and non-executive directors' fees were increased with effect from 1 February 2014. Fees for 2014/15 and 2013/14 are shown below. No benefits are provided with the exception of a store discount of up to 20%.

	Fees £'000		
	As 1 February 2014	As 1 February 2013	% increase
Chairman[1]	453.6	472.4	2%
Non-executive director fee	62.4	61.2	2%
Senior Independent Director	17.4	17.4	0%
Chairman of Audit Committee	20.0	20.0	0%
Chairman of Remuneration Committee	15.0	15.0	0%

(1) The percentage increase for the Chairman is depicted on a constant currency basis and reflects the increase in fee from €494,700 to €504,594 with the contribution to running costs of the office held flat at €61,800.

Implementation of Remuneration Policy for Non-Executive Directors in 2015/16
Fees

	Fees £'000		
	As at 1 February 2015	As at 1 February 2014	% increase
Chairman	453.6	453.6	0%
Non-executive director fee	62.4	62.4	0%
Senior Independent Director fee	20.0	17.4	15%
Chairman of the Audit Committee	20.0	20.0	0%
Chairman of the Remuneration Committee	20.0	15.0	33%

The increase in the additional fees for the Senior Independent Director and Remuneration Committee Chairman reflects a convergence in the market rates with the Audit Committee Chairman additional fees. The last time the additional fees were increased was three years ago.

The Chairman's fee has been converted from euros into sterling using the average exchange rate for 2014/15.

Non-Executive Directors' shareholdings
The table below sets out the current shareholdings of the non-executive directors (including beneficial interests) and a summary of outstanding share awards as at 31 January 2015. The Company does not operate a share ownership policy for the non-executive directors, but encourages non-executive directors to acquire shares on their own account.

	Number of shares held outright as at 31 January 2015	Number of shares held outright as at 1 February 2014
Daniel Bernard	124,646	121,717
Andrew Bonfield	10,000	10,000
Pascal Cagni	30,570	30,570
Clare Chapman	6,990	6,990
Anders Dahlvig	75,000	75,000
Janis Kong	24,000	24,000
Mark Seligman	15,000	15,000

There have been no changes to the beneficial interests of the non-executive directors between 1 February 2015 and 30 March 2015.

Service contracts/letters of appointment

	Date of service contract/letter of appointment	Expiry of current term	Length of service at 31 January 2015
Daniel Bernard	24/05/2006	30/06/2015	8 years
Andrew Bonfield	11/02/2010	15/12/2015	5 years
Pascal Cagni	17/11/2010	16/11/2016	4 years
Clare Chapman	02/12/2010	01/12/2016	4 years
Sir Ian Cheshire(1)	28/01/2008	31/01/2015	14 years
Anders Dahlvig	16/12/2009	15/12/2015	5 years
Janis Kong	08/12/2006	06/12/2015	8 years
Véronique Laury(2)	08/12/2014	Rolling	–
Kevin O'Byrne	01/10/2008	Rolling	6 years
Mark Seligman	01/01/2012	01/12/2017	3 years
Philippe Tible(1)	01/10/2012	31/07/2014	2 years
Karen Witts	01/10/2012	Rolling	2 years

(1) Sir Ian Cheshire stepped down on 31 January 2015 and Philippe Tible stepped down as an executive director on 31 July 2014.

(2) Véronique Laury became an executive director on her appointment as Chief Executive Officer.

The Remuneration committee

The Remuneration Committee (the 'Committee') is a Committee of the Board with delegated powers which are set out in its terms of reference, which are available to view on the Company's website. The Committee's terms of reference are reviewed on an annual basis and were last updated in October 2014.

The Committee's main responsibilities are to:

- Determine the Group's framework and policy for executive remuneration and to submit the Remuneration Policy to shareholders for approval at least on a triennial basis;
- Determine individual remuneration packages for the executive directors and in addition have oversight of the remuneration packages of senior executives below Board level;
- Select and appoint advisors to the Committee;
- Report to shareholders on an annual basis on the work of the Committee and submit the Annual Report on Remuneration for an advisory vote at the Annual General Meeting.

The Chairman of the Committee reports to the Board on the Committee's activities at the Board meeting immediately following the meeting of the Committee.

Committee composition

The Committee comprised the following members during the financial year to 31 January 2015.

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

At the invitation of the Committee, except where their own remuneration was being discussed, the following people attended meetings and provided advice to the Committee: Sir Ian Cheshire (Chief Executive Officer to 8 December 2014), Véronique Laury (Chief Executive Officer from 8 December 2014), Chief Financial Officer, Group HR Director, Head of Group Reward and Company Secretary.

Principal activities

The Committee has a calendar of standing items within its remit and in addition considered a number of additional matters. The Committee is scheduled to meet three times a year and meets additionally as required. During the year, the Committee met four times.

During 2014/15 the Committee:

- agreed the award level of the 2013/14 annual bonus;
- recommended the 2013/14 Directors' Remuneration Report for endorsement by the Board and subsequent approval by shareholders;
- recommended the approval of the Kingfisher Incentive Share Plan to shareholders and implemented the plan following shareholder approval;
- considered the UK Corporate Governance Code and implemented malus and clawback arrangements accordingly;
- agreed the performance targets for the annual bonus for the 2014/15 financial year and monitored progress against those targets;
- implemented and tested the Remuneration Policy approved by shareholders at the Annual General Meeting and concluded that the Policy remained appropriate and that no changes be proposed to shareholders;
- considered the French 'Top Hat' pension scheme and agreed to its closure, effective 31 January 2015;
- considered and agreed the exit arrangements for Philippe Tible and Sir Ian Cheshire; and
- agreed the remuneration arrangements for Véronique Laury.

The Committee is provided with data on the remuneration structure for the next layer of management below the Group executive and with information on wider employee pay reviews.

The Committee approves the policy on share award levels for all employees and uses this information to ensure that there is consistency of approach throughout the Group.

Advisors to the Committee

During the financial year to 31 January 2015, 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.

PricewaterhouseCoopers LLP (PwC)

PwC were appointed by the Committee as its principal advisors on 1 February 2013. PwC is a member of the Remuneration Consultants Group (the professional body for executive remuneration consultants). PwC provided the Committee with executive remuneration advice, including advice relating to the operation of employee and executive share plans, and provided other services to the Group. The fees paid to PwC during 2014/15 were £185,358. During 2014 the Remuneration Committee conducted a review of its effectiveness. As part of this it considered the advice received from PwC and is confident that PwC provides objective and independent advice to the Remuneration Committee.

Freshfields Bruckhaus Deringer LLP (Freshfields)

Freshfields provided legal advice to the Committee on employment and remuneration issues. Freshfields also provides advice to the Group on other legal matters.

Voting at the Annual General Meeting

At the Annual General Meeting on 12 June 2014, there were two proposals put to shareholders in relation to directors' remuneration: the binding vote on the Directors' Remuneration Policy and the advisory vote on the Annual Report on Remuneration. The results of the votes were as follows:

Resolution	Votes for (and % of votes cast)		Votes against (and % of votes cast)		Proportion of share capital voting	Shares on which votes were withheld
Directors' Remuneration Policy	1,702,954,306	98.93%	18,469,399	1.07%	72.68%	3,461,480
Annual Report on Remuneration	1,686,846,369	99.73%	4,572,092	0.27%	71.42%	33,467,604

This Annual Statement and Annual Remuneration Report will be subject to an advisory vote at the 2015 AGM. The Chairman of the Committee will be available at the meeting to answer any questions about the work of the Committee.

For and on behalf of the Committee

Clare Chapman
Chairman of the Remuneration Committee
30 March 2015

Directors' Remuneration Policy

For reference, the following is an extract from Kingfisher's Remuneration Policy. It includes minor modifications to remove any comments relevant to the prior year. It does not include the changes made to malus and clawback provisions or the change in the maximum monthly saving limit under Sharesave.

The full policy can be found in the 2013/14 Remuneration report at www.kingfisher.com.

The key principles of the Remuneration Policy are to:

- provide executive directors with a remuneration package that recognises the experience of the individual concerned and the value created;
- ensure that performance-related remuneration constitutes a substantial proportion of the remuneration package;
- ensure that executive directors' interests are aligned with shareholders by delivering rewards in shares and requiring a significant personal holding in Kingfisher shares in accordance with the Group's share ownership policy;
- be competitive in the talent markets in which the Group operates;
- be fair, transparent and straightforward to understand; and
- ensure remuneration principles apply consistently throughout the Group and, where practical, are translated into local practice at the appropriate organisational level.

The Committee is satisfied that this Remuneration Policy strikes an appropriate balance between the fixed and variable elements of remuneration, and between promoting short and long-term business objectives.

Remuneration Policy

Element and purpose	Operation	Maximum opportunity	Assessment of performance
Base salary Base salary reflects the individual's role, experience and contribution to the Group and is set at levels that support the recruitment and retention of executive directors of the calibre required by the Group.	Base salaries are set with reference to two primary comparator groups: i) FTSE 25-75 excluding financial services organisations, and ii) FTSE 100 retailers and privately held retailers which are considered to be of a similar size and market capitalisation to the Group. The Committee also takes account of pay levels in other large European retailers. Alternative peer groups may need to be referenced depending on the domicile of individual executive directors outside the UK. The Committee does not apply a strict mathematical approach to the market data, which it considers to be only one relevant input. Instead, the Committee has regard to its overall assessment of appropriate levels of salary, within the benchmark range taking into account the market, economic conditions, affordability, the level of increases awarded to employees generally and the individual's performance, contribution and experience. Salaries are reviewed, but not necessarily adjusted, annually. Out of cycle reviews may be conducted in exceptional circumstances if determined appropriate by the Committee. Base salaries are paid monthly in cash.	Whilst there is no prescribed or formulaic maximum, the annual increase will normally not exceed the level awarded to the general workforce. Higher increases may be made where there have been significant changes in the responsibility and accountability in a role, or where there are large variances to the market, for example in the case of a recently appointed executive director appointed on a salary below the market median. Any significant increases will be fully explained.	Individual performance is an important factor considered by the Committee when reviewing base salary each year.

Element and purpose	Operation	Maximum opportunity	Assessment of performance
Benefits Benefits are provided to assist executive directors in the performance of their roles and are designed to be competitive and cost effective.	The Group may provide pension contributions (set out below), a company car or cash alternative, allowance for financial planning, medical insurance, and life assurance cover. Other benefits may be provided from time to time if considered reasonable and appropriate by the Committee, to include items such as relocation allowances, and will be explained in the next Annual Remuneration Report. The Group pays the cost of providing benefits on a monthly basis or as required for one-off events such as financial planning advice. Store discount may be offered to all directors on the same basis as offered to other Group employees.	Maximum levels of benefit provision are: • Car allowance £25,000 per annum • Private medical insurance on a family basis • Life assurance cover of 4x base salary (see notes) • Financial planning at £2,500 per annum. There are a number of variables and unknowns impacting the maximum payable in the event of relocation; however, the Committee would pay no more than is necessary in such situations. Store discount of up to 20% is offered. By exception, life assurance cover for Kevin O'Byrne is provided at 7x base salary. The additional 3x cover is funded by him through an equivalent 0.25% reduction in his pension cash allowance.	None
All-employee share plans To enable investment in shares in Kingfisher on the same terms as other UK-based employees.	UK-based executive directors may participate in a tax approved all-employee scheme (Sharesave) under which they make monthly savings over a period of three or five years, that may be used to buy Kingfisher shares at a discounted price when the scheme matures. They may also choose to withdraw their savings at the end of the saving period or at any time during the savings contract. UK-based executive directors may also participate in the Share Incentive Plan (SIP). Designed to promote employee share ownership, the SIP enables participants to make monthly investments in Kingfisher shares.	The maximum monthly limit for the Sharesave plan is currently £250 per month. The maximum monthly amount an individual may invest in partnership shares is currently £125 per month. The SIP also allows the award of free and matching shares up to the limits set by the Government. The Group may increase the amounts that can be saved or invested under the Sharesave and SIP plans in line with any increases authorised by the UK Government for approved plans.	None
Pension To provide retirement benefits and support retirement planning in a tax efficient way through a competitive scheme.	Pension provision for executive directors (with the exception of Philippe Tible) is by way of contributions to a defined contribution scheme. A cash allowance is available to those who choose not to participate in the defined contribution scheme as a result of having applied for protection upon exceeding or getting close to Lifetime Allowance limits. For executive directors who choose to remain in the scheme, to avoid total member and employer contributions exceeding the Annual Allowance (£40,000 for the tax year 2014/15), employer contributions can be paid as a taxable cash allowance on a cost neutral basis to the Company. A French non-contributory defined benefit arrangement is in operation for Philippe Tible as divisional CEO of Castorama and Brico Dépôt.	For the defined contribution scheme or cash allowance, the maximum annual pension contribution is 30% of base salary for the Chief Executive Officer and 20% of base salary for other UK-based executive directors. For the defined benefit arrangement in which the divisional CEO of Castorama and Brico Dépôt, Philippe Tible, participates, the pension notionally accrues at a value of 1.5% of final pensionable pay for each year of service, with crystallisation of the pension being conditional upon him retiring from the company.	None

Element and purpose	Operation	Maximum opportunity	Assessment of performance
Annual bonus To incentivise executive directors to achieve or exceed annual financial, strategic and personal objectives set by the Committee at the start of each financial year. The deferred element of the annual bonus is intended to support longer-term shareholder alignment and retention.	Annual bonuses are paid after the end of the financial year to which they relate. 50% of the annual bonus is paid in cash shortly after the financial year end. The remaining 50% of the annual bonus is deferred for three years in Kingfisher shares. Vesting of these shares is not subject to performance conditions and no match is applied. Shares delivered on the exercise of an award attract additional dividend shares calculated on the basis of the re-investment back into shares of the dividend that would have been received had the shares been beneficially held. The Committee has the discretion to adjust the bonus outcome if the pure application of a formula is not felt to produce an appropriate result in light of overall underlying performance. In particular the Committee has the discretion to adjust payments downwards if profits have fallen. Any adjustment made using this discretion will be explained. Malus may be applied whereby part or all of an unvested deferred bonus award may be reduced (including, if appropriate, reduction to zero) in the event of financial misstatement, serious reputational damage, or material misconduct in individual cases. Deferred bonus awards will vest in full in the event of a change of control of the Company.	The on-target and maximum annual bonus payable are 100% and 200% of base salary respectively. The level of payment at threshold is set on an annual basis but will not exceed 25%.	The specific measures, targets and weighting may vary from year to year in order to align with the Group's strategy, but always with a substantial proportion based on key financial metrics. For the 2014/15 financial year, 60% of the annual bonus is linked to key financial metrics, 20% is related to KPIs for which there is a particular focus during the year in question; examples would include Group sourcing and productivity. 20% is for personal performance based on achievement of personal objectives and contribution to the One Team strategy, including behaviours. Where executive directors have specific management accountability for the results of one or more operating companies they may, in addition to, or as a substitute for Group targets, also have targets related to the performance of those businesses. The actual performance targets set are not disclosed at the start of the financial year, as they are considered to be commercially sensitive.
Long-term incentive plan To incentivise executive directors to achieve superior returns for shareholders and drive shareholder alignment and retention of executives over the performance period of the awards. Performance conditions are aligned with shareholder interests and the Group's strategic objectives.	Awards will be granted annually under the Kingfisher Incentive Share Plan, subject to a three-year vesting period and stretching performance conditions. Shares delivered on the exercise of an award attract additional dividend shares calculated on the basis of the re-investment back into shares of the dividend that would have been received had the shares been beneficially held. The Committee has the discretion to adjust the LTIP outcome if the pure application of a formula is not felt to produce an appropriate result in light of overall underlying performance. In particular, the Committee has the discretion to adjust payments downwards if profits have fallen. Any adjustment made using this discretion will be explained. Malus may be applied whereby part or all of an unvested long-term incentive award may be reduced (including, if appropriate, reduction to zero) in the event of financial misstatement, serious reputational damage, or material misconduct in individual cases. In the event of a change of control of the Company, awards will vest subject to assessment of performance up to the date of change of control and will be reduced on a time prorated basis unless the Committee considers that such a reduction is inappropriate.	The maximum annual award is 200% for executive directors, with the flexibility to award up to 250% for the Chief Executive Officer. The Chief Executive Officer's award in 2014/5 will be 200%. 25% of the award vests for threshold performance.	Awards vest based on performance over three years against performance measures chosen by the Committee to align with business and strategic priorities. For the 2014/5 financial year the measures for executive directors are: • 50% EPS • 50% Kingfisher Economic Profit (KEP). The Committee may adjust the performance measures attaching to awards and the weighting of these measures if it feels this will create greater alignment with business and strategic priorities. A significant change to the measures used would only be adopted following consultation with major shareholders.

Element and purpose	Operation	Maximum opportunity	Assessment of performance
Profit sharing arrangements			
Participation Scheme To enable French employees to share in the financial success of the French businesses.	Philippe Tible participated in this scheme as an employee of a French company on the same terms as all French employees. The Participation Scheme is a mandatory scheme based on a legal requirement for a proportion of the Castorama and Brico Dépôt France profits to be distributed to employees. It is paid in cash shortly after the financial year end, although the scheme provides the option to defer the payment for a period of five years to receive certain taxation exemptions.	Under the Participation Scheme the maximum opportunity is set by the French government. There are two limits set which are based on a set multiple of the Annual Social Security ceiling (PASS). This is updated each year but for 2014 stood at €37,548. These limits are: • The maximum salary that the award level as a % of salary is applied is 4 PASS (€150,192) • The maximum possible payment is 0.75 PASS (€28,161).	The award level is determined as a proportion of profits as set with reference to the minimum required by the French government and a more favourable formula that has been agreed with the French Works Council. Over the last five years the award level of a % of salary (up to the salary cap) has remained within the 5% – 7% range. On Philippe Tible's actual salary the award levels were less than 2% of salary.
Interessement Scheme To enable French employees to share in the financial success of growth in the French businesses.	Philippe Tible participated in this scheme as an employee of a French company on the same terms as all French employees. This scheme creates a profit pool which is divided by the cost of wages and salaries to determine an award level as a % of salary. Payment are made in cash on a quarterly basis although the scheme provides the option to defer the payment for a period of five years to receive certain taxation exceptions.	Since the design is in the form of a profit pool, there is no set cap as such. However the award level for Philippe Tible had not exceeded 20% of salary historically.	The profit pool is based on a formula which is linked to a proportion of the sales and profit growth.
Shareholding requirements			
To ensure alignment of interests of executive directors 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 first award under a qualifying share plan. Consideration will be given to extending the five-year time frame in the event that share awards vesting from deferred bonus shares or the LTIP alone do not provide enough shares to meet the shareholding requirement. Unvested deferred bonus awards are not included in the assessment of the holding requirement until the transfer of beneficial ownership to the executive director at the end of the three-year deferral period. Nil-cost options which have vested but the executive has yet to exercise are considered to count towards the shareholding after taking into account an adjustment for tax.	Chief Executive Officer: shareholding of 300% of base salary. Other executive directors: shareholding of 200% of base salary.	None
Legacy Awards			
Performance Share Plan ('PSP')	A one-off exceptional award of 500% of base salary was granted under the PSP in 2011. This award was granted to create focus on a single three-year period of the Creating the Leader strategy. The awards were to vest in two equal tranches in June 2014 and June 2015. On exercise, additional dividend shares are added to the award, with a value equivalent to the value of dividends reinvested into shares from the date of grant to the date of transfer. Malus may be applied to unvested awards if the Committee determines that the grant of awards was not justified. Certain awards granted prior to 2011 have vested but have not been exercised and therefore remain outstanding.	500% of base salary for all executive directors.	Awards are subject to stretching performance targets, 50% based on EPS and 50% on KEP. Following completion of the financial year, the vesting percentage has been determined by the Committee at 31% of the maximum award level, subject to continued employment.

Element and purpose	Operation	Maximum opportunity	Assessment of performance
Kingfisher Incentive Share Scheme ('KISS')	Under the KISS, executive directors defer 33% of their Annual Bonus into Kingfisher shares. Awards are deferred for three years and are subject to forfeiture should the executive leave the Group before the vesting date. Malus may be applied to unvested awards, if the Committee determines that the grant of awards was not justified. On exercise, additional dividend shares are added to the award, with a value equivalent to the value of dividends reinvested into shares from the date of grant to the date of transfer. Awards were granted annually under the KISS and will be granted in 2014 in respect of the 2013/14 Annual Bonus. Awards will vest in full in the event of a change of control of the Company.	33% of the Annual Bonus at the time of award, plus additional dividend shares accrued over from the date of grant to the date of transfer.	None
Company Share Option Plan ('CSOP')	An HMRC-approved share option plan was used to grant awards with a value up to a limit of £30,000. The option price was determined at the time of grant by reference to the market price immediately before the date of grant. The options are linked to an underpinning KISS Award and the two awards must be exercised simultaneously. On exercise, the proceeds of the underpinning KISS Award are used to fund the exercise price of the CSOP Award.	Up to £30,000	None
Chairman and non-executive director fees To attract and retain a Chairman and non-executive directors of the calibre required by the Group.	The fees paid to the Chairman are determined by the Committee, while the fees of the non-executive directors are determined by the Board with affected persons absenting themselves from the discussions as appropriate. The Committee reviews the Chairman's fees annually. The Chairman's fees are determined with reference to time commitment and relevant benchmark market data. Contributions may be made towards the cost of running the Chairman's office. 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. A base fee is paid to all non-executive directors and additional fees are also paid to the Senior Independent Director and the Chairmen of the Audit and Remuneration Committees. The Board annually reviews fees paid to non-executive directors against those in similar companies and taking into account the time commitment expected of them. Fees are paid monthly. The Chairman and the non-executive directors do not participate in any of the Company's performance-related pay programmes and do not receive pension benefits. The Chairman and the non-executive directors are not entitled to any compensation for loss of office. The Chairman and the non-executive directors do not receive any other benefits with the exception of store discount of up to 20%.	Aggregate annual fees paid to the Chairman and non-executive directors are limited by the Company's Articles of Association, which may be varied by special resolution of the shareholders. The previous limit contained within the Articles of Association was £1m and it was resolved that this be increased to £1.75m at the AGM in 2014, to allow sufficient headroom for future increases. Contributions towards the cost of running the Chairman's office will not exceed £60,000 per annum and are included within the aggregate fees set out above.	None

Element and purpose	Operation	Maximum opportunity	Assessment of performance
Approach to recruitment remuneration	When hiring a new executive director, or making internal promotions to the Board, the Committee will in principle apply the same policy as for existing executive directors, as detailed in the Remuneration Policy. The rationale for the package offered will be explained in the next Annual Remuneration Report. Base salary would be set at an appropriate level to recruit the best candidate based on their skills, experience and current remuneration. Benefits would be in line with normal policy and may include, where appropriate, relocation benefits or other benefits reflective of normal market practice in the territory in which the executive director is employed. Normal incentive awards would be made under the annual bonus plan and long-term incentive plan in line with the Remuneration Policy. For internal promotions any commitments made prior to appointment may continue to be honoured as the executive is transitioned to the new remuneration arrangements. The Committee would be mindful of best practice guidelines in considering whether any enhanced LTIP or other award was necessary on recruitment in order to secure the preferred candidate (e.g. to buy out awards forgone from the incoming executive's previous employer). The Committee's policy is to seek to avoid buying out awards foregone. Normally the Committee would seek only to make performance-related awards under the long-term incentive plan, for example by prorating them into recently awarded plan cycles to ensure alignment with existing executive directors. However, each case will need to be considered on its own facts at the particular time where such awards are made. If a buy-out award would be required, the Committee would aim to reflect the nature, timing and value of an award foregone in any replacement award which may be in the form of a restricted stock or performance-related award as appropriate. The Committee would aim to minimise the cost to the Company.	**Normal Awards** The normal maximum incentive opportunity on recruitment will be in line with the Remuneration Policy for executive directors. **Additional LTIP Award** Under the plan rules, the Committee may, on the recruitment of an executive director, make an additional one-off performance-linked award under the long-term incentive plan of up to an equal face value to the normal policy award (i.e. up to 250% of base salary for the Chief Executive Officer and 200% of base salary for the other executive directors). This provision is normally used to pro rate incoming executives into recently awarded long-term incentive plan cycles. **Buy-out Award** The Committee normally seeks to avoid explicitly buying out awards foregone at a previous employer, preferring instead to make long-term incentive plan awards as set out above. Where, in exceptional circumstances, buy-out awards are made, they are not subject to a formal maximum, although would be designed to reflect only the value foregone or less. In establishing the appropriate value of any buy-out the Committee would also take into account the value of any additional long-term incentive plan award made on joining.	None

The Committee will operate the Kingfisher Incentive Share Plan and the Group's legacy plans (the Performance Share Plan, Kingfisher Incentive Share Scheme and Company Share Option Plan) (together the 'Plans') in accordance with the rules of those Plans and where relevant with the UKLA Listing Rules.

In addition to the discretions set out as part of this Remuneration Policy, the rules provide the Committee with discretion on certain matters regarding the administration and operation of these Plans, including, but not limited to the following:

- the impact of a change of control or restructuring;
- any adjustments to performance conditions or awards required as a result of a corporate event (such as a transaction, corporate restructuring event, special dividend or rights issue);
- the operation of malus provisions; and
- minor administrative matters to improve the efficiency of operation of the plans or to comply with local tax law or regulation.

The Committee retains certain discretions in relation to the Annual Bonus Plan, which include but are not limited to:

- the determination of and timing of any bonus payment;
- the impact of a change of control or restructuring; and
- any adjustments required as a result of a corporate event (such as a transaction, corporate restructuring event, special dividend or rights issue).

In relation to the Plans and the Annual Bonus Plan, the Committee retains the ability to amend the performance conditions and/or measures in respect of any award or payment if one or more event(s) have occurred which would lead the Committee to consider that it would be appropriate to do so, provided that such an amendment would not be materially less difficult to meet.

If the Committee used any of the discretions set out above these would, where relevant, be disclosed in the next Annual Remuneration Report and the views of major shareholders may also be sought.

Discretion in relation to the Group's All-Employee Share Plans (Sharesave and Share Incentive Plan) would be exercised within the parameters of the HMRC and the UKLA Listing Rules.

Notes to the remuneration policy table

Annual bonus

The performance conditions are set annually based on the metrics the Committee feels are most appropriate for the business. Like-for-like sales performance is a key metric, and profit before tax ensures that this sales growth is delivered in a way that creates value for shareholders. Other strategic KPIs are chosen to support particular objectives for the year, and the individual component enables outstanding contribution to be incentivised and rewarded.

Annual bonus targets are set with reference to internal budgets and analyst consensus forecasts, with maximum pay-out requiring performance well ahead of budget.

Long-term incentive plan

The Committee believes that long-term incentive plan measures should be aligned to shareholder value while providing line of sight to management, so that they are meaningful and incentivising. EPS growth is a key measure of our success in growing value for shareholders over time, while KEP balances profit growth with efficient management of our balance sheet.

The setting of LTIP targets takes into account analyst consensus forecasts, internal projections, and the levels of performance required over the long term to deliver absolute value appreciation for shareholders.

Differences in remuneration policy for all employees

All employees are entitled to base salary and benefits and may also receive bonus, pension, profit share and share awards which vary according to local jurisdiction and market practice. The maximum provision and incentive opportunity available is determined by the seniority and responsibility of the role.

Service contracts and policy on payment for loss of office

Provision	Policy
Notice period	12 months' notice by either the director or the Company for Sir Ian Cheshire, Kevin O'Byrne and Karen Witts. Three months' notice for Philippe Tible.
Remuneration	As described in this Report.
Cash benefits	Car allowance (as an alternative to a company car) and pension benefit.
Non-cash benefits	The Company provides a range of additional benefits, including private medical insurance on a family basis, death-in-service cover equal to four-times base salary, a subsidised staff canteen, a staff discount card, allowance for financial planning 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 if his employment is terminated by the Company. This amount is standard under French law in order to ensure that the non-compete provision is enforceable.
Contractual termination payment Executive directors	In the case of resignation, no payments on departure will be made on termination, even if by mutual agreement the notice period is cut short. If notice is served by the Company in full, no other payments should be due on departure. For any period of notice period not served, the payment takes the form of liquidated damages, which pays the departing executive 8.3% of salary per month for the remainder of their notice period. These monthly payments are subject to mitigation. The maximum payment post departure would be 1 x base salary. If notice is served by either party, the executive director may continue to receive base salary and benefits for the duration of their notice period, during which time the executive director may continue their duties or be assigned a period of garden leave. The Group's policy is that payments for termination will not exceed 12 months' base salary. The terms of the phased payment clauses in the service contracts of Sir Ian Cheshire and Kevin O'Byrne were consistent with the governance guidelines at the time the contracts were put in place. In circumstances where the Company were to terminate their agreements, they would have received phased payments of 15% and 12% of base salary respectively for a maximum of 12 months from the date of termination subject to mitigation. The termination clause in Philippe Tible's contract would have been determined by the collective convention which applies to all French employees. A termination payment would have been made up of two parts: (i) the dismissal indemnity which would have been 3% of annual remuneration per year of service and (ii) a payment for any unpaid notice which would have been a maximum of three months' remuneration. The combined cost based on years of service to date would have been approximately 1 x base salary. Remuneration in this context consists of base salary, car benefit and cash bonus award. In the event of a compromise or settlement agreement, the Committee may agree payments it considers reasonable in settlement of legal claims. This may include an entitlement to compensation in respect of their statutory rights under employment protection legislation in the UK or in other jurisdictions. The Committee may also include in such payments reasonable reimbursement of professional fees in connection with such agreements.
Contractual termination payment continued Chairman and non-executive directors	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 the appointment is terminated.

Leaver provisions for annual bonus

If notice is served by either party, the executive director may receive bonus payments in cash on a prorated basis from the start of the financial year up to the date of termination of employment, based on the determination of the results at the year end against targets set.

In the event that an executive director ceases to be employed during or shortly after the financial year and before the date of the annual bonus award, the Committee has the discretion to make a bonus payment and determine the basis upon which it is made and its value taking into account the individual circumstances of the departure. If the executive ceases employment as a result of a reason defined as a good leaver (which includes ill-heath or retirement), then the normal approach would be to award a time prorated bonus in cash based on the actual results against the performance measures set once they have been determined following the end of the financial year. In the case of resignation, no bonus award will be made.

Leaver provisions for share incentives

The rules of the Kingfisher Incentive Share Plan and the Group's legacy plans (the Performance Share Plan, Kingfisher Incentive Share Scheme and Company Share Option Plan) (together the 'Plans') set out the treatment that will be applied to awards and options if a participant leaves the Group before the end of the vesting period. A summary of the treatment is set out below:

Long-Term Incentive Awards (granted under the Kingfisher Incentive Share Plan ('KISP') from 2014 onwards and the Performance Share Plan ('PSP'))
Awards will normally lapse upon cessation of employment (with the exception of unvested awards granted under the KISP, which lapse on the date of notice of termination of employment), except in certain circumstances as described below. In determining the extent to which awards should vest when an executive departs, the Committee will consider all the facts of the executive's departure, including their performance and the extent to which the departure is at the instigation of the Company.

If an executive director ceases to be employed as a result of a reason defined as a "good leaver" within the rules of the KISP or the PSP, which includes ill-health, retirement or any other reason at the discretion of the Committee, then the awards will vest on the normal vesting date, but will be adjusted on a time prorated basis (unless the Committee decides, acting fairly and reasonably, that such an adjustment would be inappropriate). The Committee retains the discretion to reduce further awards granted under the KISP to reflect any personal performance issues. If the award is structured as a nil-cost option, it will normally be exercisable for a period of six months from the normal vesting date (unless the Committee determines that it may vest on the date of cessation). In circumstances where the participant ceases to be employed as a result of death, then the award will vest on the date the Company is notified and, if the award is structured as a nil-cost option, then it will be exercisable for a period of 12 months from the date of notification. The Committee will determine the vesting of the award based upon the performance conditions attached to the awards and a reduction in the number of shares on a time prorated basis (unless the Committee decides, acting fairly and reasonably, that such an adjustment would be inappropriate).

In the event of a takeover or other corporate event (such as the winding-up of the Company), awards will vest on the date of notification, but will be adjusted on a time pro-rated basis (unless the Committee decides, in its absolute discretion, that such an adjustment would be inappropriate) and in the case of an award structured as a nil-cost option, will be exercisable for a period of one month from the date of notification.

Deferred Bonus Awards (granted under the KISP from 2015 onwards and the KISS up to 2014)
Awards granted under the KISS lapse if the executive director resigns or is dismissed for cause. In all other circumstances, the award will vest in full on the date of cessation of employment and will remain exercisable for a period of six months (12 months in the case of death).

Deferred Bonus Awards which will be granted under the KISP from 2015 onwards will lapse if the executive director resigns or is dismissed for cause. If an executive director ceases to be employed as a result of a reason defined as a "good leaver" which includes ill-health, retirement or any other reason at the discretion of the Committee, then the awards will vest on the normal vesting date. If the award is structured as a nil-cost option, it will be exercisable for a period of six months from the normal vesting date. In circumstances where the participant ceases to be employed as a result of death, then the award will vest in full on the date the Company is notified and, if the award is structured as a nil-cost option, then it will be exercisable for a period of 12 months from the date of notification.

In the event of a takeover or other corporate event (such as the winding-up of the Company), awards will vest on the date of notification and in the case of an award structured as a nil-cost option, will be exercisable for a period of one month from the date of notification.

Company Share Option Plan ('CSOP')
The CSOP is an HMRC-approved share option plan. Options granted under the CSOP are linked to an underpinning deferred bonus award granted under the KISS and the two must be exercised simultaneously. Options granted under the CSOP will normally lapse upon cessation of employment. If an executive director ceases to be employed as a result of a reason defined as a "good leaver" within the rules of the CSOP, which include injury, disability or the sale or transfer of the business or company that employs them, then the option will vest on the cessation of employment and will be exercisable for a period of six months. If the executive director leaves due to retirement, the award will vest on the normal vesting date or if the cessation of employment is within six months of the normal vesting date it will vest on the date of cessation.

The Company is required by the Companies Act 2006 to present a directors' report for the financial year ended 31 January 2015. It is also required to report on its compliance with the UK Corporate Governance Code (the "Code") for the year and provide certain disclosures in respect of the United Kingdom Listing Authority's ("UKLA") Disclosure and Transparency and Listing Rules. The report, together with the Corporate Governance report on pages 33 to 40 the Audit Committee report on pages 41 to 44, the Directors' Nomination Report on page 45 and the Directors' Remuneration Report on pages 46 to 75 are incorporated into this Director's Report by reference, and when taken together with cross references to disclosures elsewhere in the Annual Report and Accounts, fulfil the Company's disclosure requirements.

Strategic Report

The Companies Act 2006 requires the Company to present a fair review of the operations of the business during the year to 31 January 2015 and the position of the Company at year end along with the principal risks and uncertainties faced. The Strategic Report of the Company, which includes the Group's Key Performance Indicators, a statement on Corporate Responsibility, a Financial Review including financial and capital risks, is detailed on pages 2 to 29 and is incorporated by reference and deemed to form part of this report.

Dividends

The directors recommend a final dividend of 6.85p (2013/14: 6.78p) per ordinary share amounting to £160m (2013/14: £159m) to be paid on 15 June 2015 to members appearing on the Register at the close of business on 15 May 2015. Together with the special dividend of 4.2p per ordinary share, amounting to £100m, paid on 25 July 2014 and the interim dividend of 3.15p (2013/14: 3.12p) per ordinary share, amounting to £75m (2013/14: £74m), paid on 14 November 2014, the total dividend for the financial year ended 31 January 2015 will be 14.2p (2013/14: 9.9p) per ordinary share, amounting to £335m (2013/14: £233m).

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 31 January 2015 were in aggregate £1.02m.

Directors

Full biographical details of current directors are set out on pages 30 to 31. In accordance with the principles of the Code, shareholders will be asked, too approve the appointment of Véronique Laury as a director and to re-appoint the other directors at the AGM in 2015.

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 2014/15 financial year. The Company has also purchased and maintained Directors' and Officers' liability insurance throughout 2014/15. 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 46 to 66. 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 26 to 29. 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.

People

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 their 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.

A breakdown of employee gender diversity, as required by the Companies Act 2006, can be found on page 25 and forms part of the Directors' Report disclosures. During the year B&Q UK continued its long-established policy of promoting age diversity, with around a quarter of its employees aged over 50.

The Group employs over 79,000 people across our markets and invests in our people drawing on their energy, skills and ideas to achieve the Group's goals. The aim is to create great workplaces and strive to be an employer of choice in our sector. The Group's commitment to Net Positive supports employee loyalty, productivity and engagement and we create opportunities for our people to get involved. This starts from the top, and during 2014/15 200 of the Group's most senior leaders demonstrated their commitment by spending a day volunteering, helping to improve an orphanage in Bucharest.

Development

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 46 to 66.

We invest in training and development for employees at all levels from our apprenticeship and work experience schemes to our graduate programmes and management and leadership training. Castorama France operates a 'Go Alternative' programme which recruits and develops young people for a variety of career paths at its stores and offices. Run through partnerships with schools and other organisations it supports young recruits to develop the skills they need to take on managerial roles. Nearly 500 apprentices participated during 2014/15.

There are also 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.

Greenhouse Gas Emissions

The Company is required to state the annual quantity of emissions in tonnes of CO_2 equivalent from activities for which the company is responsible. Details of our emissions for the year ended 31 January 2015.

Greenhouse Gas Emissions (tonnes of CO_2e)*

	Baseline		
	2010/11	2013/14	**2014/15**
GHG emissions from combustion of fuel and operation of facilities	154,953	160,223	**142,348**
GHG emission from the purchase of electricity, heat and steam	305,082	278,665	**307,851**
Total GHG emissions (2020 target = 25% reduction)	460,035	438,888	**450,199**≠
GHG emissions per m^2 of floor space	66.6	59.0	**57.3**

Methodology: Our GHG emissions have been calculated using UK government (DEFRA) emissions factors. Our data covers our material impacts: emissions from property energy use, dedicated delivery fleets and business travel by road. Our Net Positive Report contains further details of our GHG emissions, including data on scope 3 emissions.

Our target is set out against a baseline year of 2010/11. The 2014/15 Net Positive Report will be published in June 2015.

* Our Net Positive data, including our Greenhouse Gas data, covers all our Operating Companies and 50% of our Koctas Joint Venture.

≠ This represents a reduction of 2% against the baseline year 2010/11.

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 (2013/14 £nil). As with previous annual approvals, the Group had 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 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.

Significant agreements – change of control

There are a number of agreements that take effect, alter or terminate upon a change 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 any 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.

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 Reports and Accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights.

There are no restrictions on the transfer of ordinary shares or on the exercise of voting rights attached to them, except (i) where the Company has exercised its right to suspend their voting rights or to prohibit their transfer following the omission of their holder of 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 Depository Receipt ("ADR") programme in the United States.

Authority to allot shares

At the AGM in 2014 shareholders approved a resolution to give the directors authority to allot shares up to an aggregate nominal value of £124,494,647. In addition, shareholders approved a resolution to give the directors authority to allot up to a nominal amount of £248,989,295 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. As at 30 March 2015, 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.

Authority to purchase own shares

At the AGM in 2014, shareholders approved a resolution for the Company to make purchases of its own shares to a maximum number of 237,261,243 ordinary shares, being approximately 10% of the issued share capital. This resolution remains valid until the conclusion of this year's AGM. As at 30 March 2015, the directors had used this authority to purchase 38,102,117 under several buyback programmes. All the shares purchased under this authority to date have been cancelled. 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 to continue with its buyback programme throughout 2015 and all 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 115 to 117. 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 Shareholdings

As at 30 March 2015, pursuant to DTR 5.1.2 the Company had been notified of the following interests in its shares

	Number of ordinary shares held	% of total voting rights
BlackRock, Inc.	118,074,108	5.01%
Templeton Global Advisors Limited	119,019,609	5.03%
The Capital Group Companies, Inc.	115,590,055	4.88%

Annual General Meeting

The 2015 Annual General Meeting of the Company will be held on Tuesday, 9 June 2015 at Park Plaza Victoria, London, 239 Vauxhall Bridge Road, London SW1V 1EQ at 11.00am. A full description of the business to be conducted at the meeting is set out in the separate Notice of AGM.

By order of the Board

Clare Wardle
Company Secretary
30 March 2015

Going concern

The directors confirm that, after reviewing expenditure commitments, expected cash flows and borrowing facilities, they have a reasonable expectations 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 provided in the Financial Review on page 18.

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 s. 393 of the Companies Act 2006, 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 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 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, regulation and practice in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation, regulation and practice 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;
- the strategic 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 they face; and
- the Annual Report and financial statements, taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Clare Wardle
Company Secretary
30 March 2015

Opinion on financial statements of Kingfisher plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 January 2015 and of the Group's profit for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated and Parent Company balance sheets, the consolidated cash flow statement and the related notes 1 to 38 for the Group and 1 to 17 for the Parent Company financial statements. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Going concern

As required by the Listing Rules we have reviewed the directors' statement on page 79 that the Group is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team and are consistent with the risks identified in the previous year:

Subject	Nature of risk	How the scope of our audit responded to the risk
Inventories	As at 31 January 2015 the value of inventory held by the Group was £2,021 million as disclosed in note 17 to the financial statements. Assessing net realisable value of inventory is an area of significant judgement. In particular with regards to the estimation of provisions for slow-moving and obsolete inventory. The Group's Principal accounting policy on inventory is on page 93 and the critical accounting estimates and judgements on inventory are on page 96.	We focused on the valuation of year end inventory, including challenging judgements taken regarding obsolescence and net realisable value provisions. Inventory provisioning has been assessed using historic stock performance and compared to the Group provision recognised. Our procedures included assessing the adequacy of, and movements in, inventory provisions held by recalculating a sample of items included within the provision to determine whether there was an appropriate basis of valuation.
Supplier rebates	The Group receives significant amounts of supplier incentives, discounts and rebates, and recognises these as a deduction in cost of sales. These largely comprise of volume-based rebates based on percentage levels agreed for the calendar year, but also include arrangements with a greater degree of judgement such as advertising and marketing support. Assessing the timing of recognition of the reduction in cost of sales earned from suppliers, including adherence to contractual terms, is an area of complexity requiring both a detailed understanding of the contractual arrangements themselves as well as complete and accurate source data to apply the arrangements to. The Group's Principal accounting policy on rebates is on page 92 and the critical accounting estimates and judgements on rebates are on page 96.	We obtained and reviewed a sample of contracts with suppliers to assess the conditions required for rebate income to be recognised and verified whether or not these had been met. We tested the accuracy of the amounts recognised by agreeing a sample to individual supplier agreements. For volume-based agreements, we recalculated the rebates due based on shipments in the year and contractual terms. For other rebates, we also focussed on the timing of recognition of the rebate income based on the contractual performance obligations. We circularised a sample of suppliers to further corroborate whether the arrangements recorded were accurate and complete and, where outstanding balances were significant at the year end, to confirm the amounts owed. Our audit also assessed the recoverability of such amounts owed.

Subject	Nature of risk	How the scope of our audit responded to the risk
Property	As at 31 January 2015 the value of property, plant and equipment held by the Group was £3,203 million as disclosed in note 14 to the financial statements. As a result of the diverse property portfolio across the Group, there are several technically complex or judgemental aspects of property accounting and accounting for leases across the Group, including: • classification of leases under IAS 17: "Leases"; • other property related provisions, including onerous leases; • the assessment of carrying values of freehold stores and store assets for potential impairment; and • accounting for store closure costs. The key assumptions applied by management in the impairment reviews are: • country-specific discount rates; • store costs, including rent, staff payroll costs and general operating costs; and • forecast sales growth and margins. The Group's Principal accounting policy on property, plant and equipment is on page 93 and the critical accounting estimates and judgements on impairment are on page 96.	For leasehold property, we focused our work on the identification of complex or unusual lease contracts to assess whether they were appropriately accounted for under IAS 17: "Leases". We also performed procedures to identify leases which could be considered onerous - for example, we reviewed the properties currently under lease, and identified those which may be vacant or underutilised, or where properties are sublet whether the estimated rental income leads to an onerous contract. For freehold properties and store assets with indicators of impairment, we challenged the impairment models and calculations by: • checking the mechanical accuracy of the impairment models; • assessing the discount rates applied to the impairment reviews for each country and comparing the rates to our internal benchmark data; • comparing forecast growth rates to economic data; • considering the historical budgeting accuracy at a store level; and • challenging forecast sales growth and margins. We challenged the assumptions used by management in estimating store closure costs and the timing of recognition of associated provisions.
Goodwill and intangible assets	As at 31 January 2015 the value of goodwill held by the Group was £2,414 million as disclosed in note 12 to the financial statements. Determining the appropriate carrying value of goodwill and intangible assets requires management to make significant estimates including the operating cash flow projections, discount rates and long term growth rates. The goodwill attributable to cash generating units is reviewed for impairment using a value in use model, as described in note 12 to the financial statements. The Group's Principal accounting policy on Goodwill and intangible assets is on page 92 and the critical accounting estimates and judgements on impairment are on page 96.	We reviewed the assumptions used in the impairment model for goodwill and intangible assets, including comparison of the input assumptions to externally and internally derived data, and challenged the key inputs used. We made use of our internal specialists when assessing these inputs. We considered the sensitivity of the model to changes in key assumptions by performing our own independent calculations. We also considered the adequacy of the Group's disclosures in respect of impairment testing and whether disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions properly reflected the risks inherent in the assumptions.
Taxation	Due to the estimation uncertainty in respect of settlements with tax authorities around the world, assessing the Group's exposure to significant tax risks and the level of provisions recognised is a judgemental area. The Group's Principal accounting policy on Taxation is on page 94 and the critical accounting estimates and judgements on Taxation are on page 96.	We engage tax specialists who have considered all significant taxation exposures across the Group, including challenging the estimates and judgements made by management when calculating the income tax payable in each territory and the associated provisions held. In assessing the provisions we have considered the tax environment in the significant territories in which the Group operates, the outcome of past settlements and the status of tax audits. The tax specialists reviewed correspondence with taxation authorities in significant locations, as well as reviewing the opinions or other support received from external counsel and other advisers where management has relied on them to make assumptions on the level of taxation payable.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 42.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £34 million (2013/14: £35 million), which is 5% (2013/14: 5%) of profit before taxation, before exceptional items, and below 1% (2013/14: below 1%) of equity. We use profit before taxation, before exceptional items, to exclude the effect of volatility from our determination.

We agreed with the Audit Committee that we would report to them all audit differences in excess of £0.7 million (2013/14: £0.7 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

As in the prior year, our Group audit scope focused primarily on all significant trading entities and the Group head office, and included B&Q UK, Castorama France, Brico Dépôt France, Castorama Poland, Castorama Russia, B&Q China, Screwfix UK, Brico Dépôt Spain, Bricostore Romania and the Koçtaş joint venture. These locations represent the principal business units and account for 99% (2013/14: 99%) of the Group's revenue, 98% (2013/14: 98%) of the Group's profit before tax after taking into account the allocation of central sourcing costs, and 98% (2013/14: 97%) of the Group's net assets. The locations in scope were selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at these locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality. The entities which are out of our scope are primarily individually insignificant cost entities and other smaller operations. The Group audit team continued to follow a programme of planned visits that has been designed so that the Senior Statutory Auditor visits locations considered the most significant each year. For the remaining locations where Group audit work is performed but no visit is carried out, the Senior Statutory Auditor has discussed and challenged the key areas of judgement with the lead audit partner of the component in the current year and a senior member of the Group engagement team has visited the location. We also held regional planning briefings, attended by the component auditors from each of the eleven locations discussed above, at which we discussed developments in the Group relevant to our audit, including risk assessment and audit procedures to respond to the risks identified.

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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the 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 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. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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.

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 and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Richard Muschamp
Senior statutory auditor
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor

London
30 March 2015

Consolidated income statement

Year ended 31 January 2015

£ millions	Notes	2014/15 Before exceptional items	2014/15 Exceptional items (note 5)	2014/15 Total	2013/14 (restated – note 2a) Before exceptional items	2013/14 (restated – note 2a) Exceptional items (note 5)	2013/14 (restated – note 2a) Total
Sales	4	**10,966**	**–**	**10,966**	11,125	–	11,125
Cost of sales		**(6,918)**	**–**	**(6,918)**	(7,005)	–	(7,005)
Gross profit		**4,048**	**–**	**4,048**	4,120	–	4,120
Selling and distribution expenses		**(2,835)**	**(32)**	**(2,867)**	(2,883)	2	(2,881)
Administrative expenses		**(571)**	**–**	**(571)**	(550)	–	(550)
Other income		**40**	**(3)**	**37**	37	2	39
Share of post-tax results of joint ventures and associates	16	**5**	**–**	**5**	22	(14)	8
Operating profit		**687**	**(35)**	**652**	746	(10)	736
Analysed as:							
Retail profit	4	**733**	**(35)**	**698**	779	4	783
Central costs		**(40)**	**–**	**(40)**	(42)	–	(42)
Share of interest and tax of joint ventures and associates		**(6)**	**–**	**(6)**	(5)	–	(5)
Share of Hornbach operating profit		**–**	**–**	**–**	26	(14)	12
Share of Hornbach interest and tax		**–**	**–**	**–**	(12)	–	(12)
Finance costs		**(13)**	**–**	**(13)**	(12)	–	(12)
Finance income		**5**	**–**	**5**	8	27	35
Net finance (costs)/income	6	**(8)**	**–**	**(8)**	(4)	27	23
Profit before taxation	7	**679**	**(35)**	**644**	742	17	759
Income tax expense	9	**(177)**	**106**	**(71)**	(163)	114	(49)
Profit for the year		**502**	**71**	**573**	579	131	710
Attributable to:							
Equity shareholders of the Company				**573**			709
Non-controlling interests				**–**			1
				573			710
Earnings per share	10						
Basic				**24.3p**			30.0p
Diluted				**24.2p**			29.7p
Adjusted basic				**20.9p**			22.8p
Adjusted diluted				**20.8p**			22.6p

The proposed final dividend for the year ended 31 January 2015, subject to approval by shareholders at the Annual General Meeting, is 6.85p per share.

Consolidated statement of comprehensive income

Year ended 31 January 2015

£ millions	Notes	2014/15	2013/14
Profit for the year		**573**	710
Actuarial gains/(losses) on post-employment benefits	27	**175**	(127)
Tax on items that will not be reclassified		**(85)**	65
Total items that will not be reclassified subsequently to profit or loss		**90**	(62)
Currency translation differences			
Group		**(308)**	(210)
Joint ventures and associates		**(2)**	(25)
Transferred to income statement (note 5)		**–**	(31)
Cash flow hedges			
Fair value gains/(losses)		**70**	(4)
(Gains)/losses transferred to inventories		**(5)**	9
Tax on items that may be reclassified		**(14)**	2
Total items that may be reclassified subsequently to profit or loss		**(259)**	(259)
Other comprehensive income for the year		**(169)**	(321)
Total comprehensive income for the year		**404**	389
Attributable to:			
Equity shareholders of the Company		**403**	388
Non-controlling interests		**1**	1
		404	389

Accounts

Consolidated statement of changes in equity

Year ended 31 January 2015

£ millions	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 2 February 2014	**373**	**2,209**	**(35)**	**3,495**	**266**	**6,308**	**9**	**6,317**
Profit for the year	**–**	**–**	**–**	**573**	**–**	**573**	**–**	**573**
Other comprehensive income for the year	**–**	**–**	**–**	**90**	**(260)**	**(170)**	**1**	**(169)**
Total comprehensive income for the year	**–**	**–**	**–**	**663**	**(260)**	**403**	**1**	**404**
Share-based compensation	**–**	**–**	**–**	**11**	**–**	**11**	**–**	**11**
New shares issued under share schemes	**1**	**5**	**–**	**–**	**–**	**6**	**–**	**6**
Own shares issued under share schemes	**–**	**–**	**26**	**(24)**	**–**	**2**	**–**	**2**
Purchase of own shares for cancellation (note 28)	**(5)**	**–**	**–**	**(150)**	**5**	**(150)**	**–**	**(150)**
Purchase of own shares for ESOP trust	**–**	**–**	**(17)**	**–**	**–**	**(17)**	**–**	**(17)**
Dividends	**–**	**–**	**–**	**(334)**	**–**	**(334)**	**–**	**(334)**
At 31 January 2015	**369**	**2,214**	**(26)**	**3,661**	**11**	**6,229**	**10**	**6,239**
At 3 February 2013	373	2,204	(60)	3,106	525	6,148	8	6,156
Profit for the year	–	–	–	709	–	709	1	710
Other comprehensive income for the year	–	–	–	(62)	(259)	(321)	–	(321)
Total comprehensive income for the year	–	–	–	647	(259)	388	1	389
Share-based compensation	–	–	–	7	–	7	–	7
New shares issued under share schemes	–	5	–	–	–	5	–	5
Own shares issued under share schemes	–	–	49	(41)	–	8	–	8
Purchase of own shares for ESOP trust	–	–	(24)	–	–	(24)	–	(24)
Dividends	–	–	–	(224)	–	(224)	–	(224)
At 1 February 2014	373	2,209	(35)	3,495	266	6,308	9	6,317

Consolidated balance sheet

At 31 January 2015

£ millions	Notes	2014/15	2013/14
Non-current assets			
Goodwill	12	**2,414**	2,417
Other intangible assets	13	**258**	222
Property, plant and equipment	14	**3,203**	3,625
Investment property	15	**30**	50
Investments in joint ventures and associates	16	**28**	32
Post-employment benefits	27	**194**	–
Deferred tax assets	25	**10**	12
Derivative assets	23	**52**	40
Other receivables	18	**7**	15
		6,196	6,413
Current assets			
Inventories	17	**2,021**	2,054
Trade and other receivables	18	**537**	590
Derivative assets	23	**70**	5
Current tax assets		**6**	15
Short-term deposits	19	**48**	–
Cash and cash equivalents	20	**561**	535
Assets held for sale	34	**274**	208
		3,517	3,407
Total assets		**9,713**	9,820
Current liabilities			
Trade and other payables	21	**(2,323)**	(2,486)
Borrowings	22	**(105)**	(94)
Derivative liabilities	23	**(10)**	(27)
Current tax liabilities		**(87)**	(175)
Provisions	26	**(13)**	(8)
Liabilities held for sale	34	**(195)**	–
		(2,733)	(2,790)
Non-current liabilities			
Other payables	21	**(64)**	(86)
Borrowings	22	**(232)**	(230)
Deferred tax liabilities	25	**(329)**	(251)
Provisions	26	**(34)**	(46)
Post-employment benefits	27	**(82)**	(100)
		(741)	(713)
Total liabilities		**(3,474)**	(3,503)
Net assets	4	**6,239**	6,317
Equity			
Share capital	28	**369**	373
Share premium		**2,214**	2,209
Own shares held in ESOP trust		**(26)**	(35)
Retained earnings		**3,661**	3,495
Other reserves	29	**11**	266
Total attributable to equity shareholders of the Company		**6,229**	6,308
Non-controlling interests		**10**	9
Total equity		**6,239**	6,317

The financial statements were approved by the Board of Directors on 30 March 2015 and signed on its behalf by:

Véronique Laury
Chief Executive Officer

Karen Witts
Chief Financial Officer

Consolidated cash flow statement

Year ended 31 January 2015

£ millions	Notes	2014/15	2013/14
Operating activities			
Cash generated by operations	31	**806**	976
Income tax paid		**(146)**	(142)
Net cash flows from operating activities		**660**	834
Investing activities			
Purchase of businesses, net of cash acquired	33	**–**	(28)
Disposal of Hornbach		**198**	–
Disposal of China (deposit received)		**12**	–
Purchase of property, plant and equipment, investment property and intangible assets	4	**(275)**	(304)
Disposal of property, plant and equipment, investment property, property held for sale and intangible assets		**50**	12
Increase in short-term deposits		**(48)**	–
Interest received		**5**	8
Dividends received from joint ventures and associates		**7**	11
Net cash flows from investing activities		**(51)**	(301)
Financing activities			
Interest paid		**(10)**	(12)
Interest element of finance lease rental payments		**(3)**	(4)
Repayment of bank loans		**(2)**	(89)
Repayment of Medium Term Notes and other fixed term debt		**(73)**	(33)
(Payment) / receipt on financing derivatives		**(9)**	6
Capital element of finance lease rental payments		**(14)**	(13)
New shares issued under share schemes		**6**	5
Own shares issued under share schemes		**2**	8
Purchase of own shares for ESOP trust		**(17)**	(24)
Purchase of own shares for cancellation		**(100)**	–
Special dividend paid to equity shareholders of the Company		**(100)**	–
Ordinary dividends paid to equity shareholders of the Company		**(234)**	(224)
Net cash flows from financing activities		**(554)**	(380)
Net increase in cash and cash equivalents and bank overdrafts		**55**	153
Cash and cash equivalents and bank overdrafts at beginning of year		**534**	398
Exchange differences		**(62)**	(17)
Cash and cash equivalents and bank overdrafts, including amounts classified as held for sale, at end of year		**527**	534
Cash and cash equivalents classified as held for sale (China)		**(57)**	–
Cash and cash equivalents and bank overdrafts at end of year	32	**470**	534

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 nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 2 to 29.

The Company is incorporated in the United Kingdom and is listed on the London Stock Exchange. The address of its registered office is 3 Sheldon Square, Paddington, London W2 6PX. A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 5 of the Company's separate financial statements.

These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2015.

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 prior year restatement as a result of the disposal of Hornbach is described in section (a) of this note.

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 16 and in note 5 of the Company's separate financial statements. The current financial year is the 52 weeks ended 31 January 2015 ('the year' or '2014/15'). The comparative financial year is the 52 weeks ended 1 February 2014 ('the prior year' or '2013/14'). The consolidated income statement and related notes represent results for continuing operations, there being no discontinued operations in the years presented.

The following non-GAAP measures have been restated in the comparatives to exclude the contribution of Hornbach, in order to improve comparability following its disposal in the current year:

	2013/14		
£ millions	Before restatement	Restatement	After restatement
Retail profit – Group	805	(26)	779
Retail profit – Other International	171	(26)	145
Adjusted pre-tax profit	744	(14)	730
Adjusted earnings	552	(14)	538
Adjusted basic earnings per share	23.4p	(0.6)p	22.8p
Adjusted diluted earnings per share	23.2p	(0.6)p	22.6p
Segment assets – Group	3,894	(198)	3,696
Segment assets – Other International	1,174	(198)	976

There was no contribution from Hornbach to the current year adjusted (non-GAAP) results. Statutory (GAAP) measures have not been restated.

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 31 January 2015. Refer to the Directors' statement of responsibility on page 79.

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.

The following new standards, which are mandatory for the first time for the financial year ended 31 January 2015, are relevant for the Group:

- IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- IFRS 11, 'Joint arrangements', focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement and are accounted for under the equity method.
- IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

The adoption of the above new standards has not had a material impact on the Group. Other standards, amendments and interpretations which are mandatory for the first time for the financial year ended 31 January 2015 are either not currently relevant or not material for the Group.

2 Principal accounting policies continued

At the date of authorisation of these financial statements, the following new standards 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):

- IFRIC 21, 'Levies' (effective from the Group's 2015/16 financial year);
- IFRS 15, 'Revenue from contracts with customers' (effective from the Group's 2017/18 financial year);
- IFRS 9, 'Financial instruments' (effective from the Group's 2018/19 financial year).

IFRIC 21 sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation changes the timing of when such liabilities are recognised, particularly in connection with levies that are triggered by circumstances on a specific date. This will apply from the Group's 2015/16 financial year, with restatement of 2014/15 comparatives. It will not have a material impact on the annual results, but will have a significant impact on the quarterly phasing of operating profit (and related deferred tax) in France, with more costs being recognised in the final quarter of the year. It will also result in a restatement of balance sheet payables and deferred tax. Refer to www.kingfisher.com for further details on the restatement.

The directors do not expect that the adoption of IFRS 15 and IFRS 9 will have a material impact on the financial statements of the Group in future periods, except that 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.

Like-for-like ('LFL') sales growth is defined as the constant currency, year-on-year sales growth for stores that have been open for more than a year.

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. 2013/14 comparatives have been restated to exclude the share of Hornbach operating profit.

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 impairment losses on non-operational assets; 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 (including the impact of changes in tax rates on deferred tax). 2013/14 comparatives have been restated to exclude the share of Hornbach results. 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.

2 Principal accounting policies continued

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 short-term deposits. It excludes balances classified as assets and liabilities held for sale.

b. Basis of consolidation

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

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries 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.

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.

(ii) Joint ventures and associates

Joint ventures are entities over which the Group has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. 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 accompanied by 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 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 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.

The equity method of accounting is discontinued from the date an investment ceases to be a joint venture or associate, that is the date on which the Group ceases to have joint control or significant influence over the investee or on the date it is classified as held for sale.

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.

2 Principal accounting policies continued

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 subsidiaries are expressed in Sterling at the rates of exchange at the balance sheet date. Profits and losses of overseas subsidiaries are expressed in Sterling at average exchange rates for the period. Exchange differences arising on the retranslation of foreign operations, including joint ventures and associates, 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 recorded since 1 February 2004 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. Goodwill arising prior to 1 February 2004 is denominated in Sterling.

Principal rates of exchange against Sterling:

	2014/15		2013/14	
	Average rate	Year end rate	Average rate	Year end rate
Euro	**1.25**	**1.33**	1.18	1.22
US Dollar	**1.64**	**1.50**	1.57	1.64
Polish Zloty	**5.23**	**5.57**	4.95	5.17
Russian Rouble	**66.70**	**105.58**	50.49	57.81
Chinese Renminbi	**10.11**	**9.39**	9.62	9.97

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. Contractual volume related rebates are accrued as units are purchased based on the percentage rebate applicable to forecast total purchases over the rebate period, where it is probable the rebates will be received and the amounts can be estimated reliably. Discretionary rebates are not anticipated and only recognised once earned. 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 Cost of sales line in the income statement when the goods are sold.

Other rebates received, such as those related to advertising and marketing, are recognised in the income statement when the relevant conditions have been fulfilled.

f. Dividends

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

g. Intangible assets

(i) Goodwill

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

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

(ii) Computer software

Where software is not an integral part of a related item of computer hardware, it is classified as an intangible asset.

Costs that are directly associated with the acquisition or production of identifiable software products controlled by the Group, which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Capitalised costs include those of software licences and development, including costs of employees, consultants and an appropriate portion of relevant overheads.

2 Principal accounting policies continued

Costs associated with identifying, sourcing, evaluating or maintaining computer software are recognised as an expense as incurred.

Software under development is held at cost less any provisions for impairment, with impairment reviews being performed annually.

Amortisation commences when the software assets are available for use and is over their estimated useful lives of two to ten years.

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.

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. All property acquired after 1 February 2004 is carried at cost.

(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.

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 held for use in the business.

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.

2 Principal accounting policies continued

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. 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.

For defined contribution schemes, the Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

(ii) Share-based compensation

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

n. Taxation

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

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

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

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

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

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

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

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

o. Provisions

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

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

p. Financial instruments

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

2 Principal accounting policies continued

Financial assets and liabilities are offset only when the Group has a currently enforceable legal right to set-off the respective recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(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 (including short-term deposits)

Other investments may include short-term deposits with banks and other investments with original maturities of more than three months. Investments classified as 'available-for-sale' under IAS 39, 'Financial instruments: Recognition and measurement', are initially measured at fair value, with subsequent changes in fair value recorded directly in equity. Any dividends received are recognised in the income statement. On disposal, the accumulated fair value adjustments recognised in equity are transferred to the income statement.

(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.

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.

q. Assets and liabilities held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets.

2 Principal accounting policies continued

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. This excludes financial assets, deferred tax assets and assets arising from employee benefits, which are measured according to the relevant accounting policy.

Property, plant and equipment and intangible assets are not depreciated once classified as held for sale. The Group ceases to use the equity method of accounting from the date on which an interest in a jointly controlled entity or an interest in an associate becomes held for sale.

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

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

Inventories

As inventories are carried at the lower of cost and net realisable value this requires the estimation of the eventual sales price of goods to customers in the future. A high degree of judgement is applied when estimating the impact on the carrying value of inventories of factors such as slow moving items, shrinkage, damage and obsolescence. The quantity, age and condition of inventories are regularly measured and assessed as part of range reviews and inventory counts undertaken throughout the year and across the Group. Refer to note 17 for further information.

Rebates

Rebate income received from suppliers represents a material element of our gross profit, with a large number of agreements with varying terms existing across our operating companies.

Volume-based rebates represent the significant majority of these rebates. Where the percentage rate of such rebates depends on the volumes purchased, forecasts are required, particularly at interim periods, of full (usually calendar) year purchases. Forecasts are informed by historical trading patterns, current performance and trends. However this judgement is reduced significantly for full year reporting, due to the Group's January financial year end.

Other types of rebates, such as contributions towards marketing and advertising activities, represent a smaller element of the Group's overall rebate income. These require judgement on the timing of recognition, in particular assessing when any corresponding conditions have been fulfilled. Judgement is also required over the recoverability of receivables relating to rebates.

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, and are disclosed in the notes to the accounts. Refer to notes 9 and 25 for further information.

Restructuring provisions

The Group carries a number of provisions in relation to historical and on-going 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 expense or income is dependent on the interest rates of high quality corporate bonds. 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

	2014/15				
			Other International		
£ millions	UK & Ireland	France	Poland	Other	Total
Sales	**4,600**	**4,132**	**1,055**	**1,179**	**10,966**
Retail profit	**276**	**349**	**118**	**(10)**	**733**
Central costs					**(40)**
Share of interest and tax of joint ventures and associates					**(6)**
Exceptional items					**(35)**
Operating profit					**652**
Net finance costs					**(8)**
Profit before taxation					**644**

	2013/14 (restated – note 2a)				
			Other International		
£ millions	UK & Ireland	France	Poland	Other	Total
Sales	4,363	4,423	1,109	1,230	11,125
Retail profit	238	396	123	22	779
Central costs					(42)
Share of interest and tax of joint ventures and associates					(5)
Share of Hornbach operating profit					26
Share of Hornbach interest and tax					(12)
Exceptional items					(10)
Operating profit					736
Net finance income (including £27m exceptional credit)					23
Profit before taxation					759

Balance sheet

	2014/15				
			Other International		
£ millions	UK & Ireland	France	Poland	Other	Total
Segment assets	**1,543**	**1,240**	**501**	**395**	**3,679**
Central liabilities					**(183)**
Goodwill					**2,414**
Net cash					**329**
Net assets					**6,239**

	2013/14 (restated – note 2a)				
			Other International		
£ millions	UK & Ireland	France	Poland	Other	Total
Segment assets	1,356	1,364	563	413	3,696
Investment in Hornbach					198
Central liabilities					(232)
Goodwill					2,417
Net cash					238
Net assets					6,317

4 Segmental analysis continued

Other segmental information

	2014/15					
			Other International			
£ millions	UK & Ireland	France	Poland	Other	Central	Total
Capital expenditure	**115**	**93**	**14**	**51**	**2**	**275**
Depreciation and amortisation	**135**	**79**	**18**	**29**	**1**	**262**
Impairment losses	**17**	**3**	**1**	**9**	**–**	**30**
Non-current assets[1]	**3,256**	**1,833**	**514**	**288**	**14**	**5,905**

	2013/14					
			Other International			
£ millions	UK & Ireland	France	Poland	Other	Central	Total
Capital expenditure	90	127	24	63	–	304
Depreciation and amortisation	127	84	19	30	1	261
Impairment losses[2]	2	–	–	–	–	2
Non-current assets[1]	3,246	1,970	565	518	15	6,314

(1) Non-current assets comprise goodwill, other intangible assets, property, plant and equipment and investment property.

(2) Impairment losses in the prior year exclude the exceptional impairment of the investment in Hornbach of £45m.

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, Germany, Portugal, Romania, Russia, Spain and the joint venture Koçtaş in Turkey. 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	2014/15	2013/14
Included within selling and distribution expenses		
UK & Ireland restructuring	**(17)**	7
Transaction costs	**(15)**	(5)
	(32)	2
Included within other income		
Disposal of properties and non-operational asset losses	**(3)**	2
	(3)	2
Included within share of post-tax results of joint ventures and associates		
Net impairment of investment in Hornbach	**–**	(14)
	–	(14)
Included within finance income		
Kesa demerger French tax case – repayment supplement income	**–**	27
	–	27
Exceptional items before tax	**(35)**	17
Exceptional tax items	**106**	114
Exceptional items	**71**	131

5 Exceptional items continued

Current year exceptional items include a £17m restructuring charge in the UK relating to the transformation of B&Q, driven by productivity initiatives aimed at delivering a simpler, more efficient business with a lower cost operating model.

The prior year exceptional credit of £7m reflected the release of provisions that had been recorded in January 2013 when B&Q Ireland entered into an Examinership process, which it successfully exited in May 2013 with the closure of only one store.

Current year transaction costs of £15m have been incurred, including costs relating to Mr Bricolage and the agreement to sell a controlling stake in the B&Q China business (2013/14: £5m principally related to Bricostore Romania).

There is a net charge of £3m relating to the disposal of properties and impairment of non-operational assets (2013/14: £2m profit).

A net impairment loss of £14m was recognised in the prior year on the Group's investment in Hornbach. This comprised a loss of £45m on remeasurement of the investment to fair value, offset by a £31m gain on the transfer from reserves of cumulative foreign exchange gains since transition to IFRS.

The current year exceptional tax credit of £106m includes the tax impact on exceptional items and the release of prior year provisions, which have either been agreed with the tax authorities, reassessed, or time expired.

In the prior year there was an exceptional tax credit of £114m, which included £118m taxation provision releases related to the successful resolution of the Kesa demerger French tax case. A £27m repayment supplement provision release was also recognised in relation to this case.

6 Net finance (costs)/income

£ millions	2014/15	2013/14
Bank overdrafts and bank loans	**(7)**	(3)
Medium Term Notes and other fixed term debt	**(3)**	(3)
Finance leases	**(3)**	(4)
Financing fair value remeasurements	**4**	(2)
Unwinding of discount on provisions	**(1)**	–
Net interest expense on defined benefit pension schemes	**(3)**	–
Finance costs	**(13)**	(12)
Cash and cash equivalents and short-term deposits	**5**	6
Net interest income on defined benefit pension schemes	**–**	2
Kesa demerger French tax case – repayment supplement income (note 5)	**–**	27
Finance income	**5**	35
Net finance (costs)/income	**(8)**	23

Medium Term Notes and other fixed term debt interest includes net interest income accrued on derivatives of £11m (2013/14: £12m income) and amortisation of issue costs of borrowings of £nil (2013/14: £1m).

Financing fair value remeasurements comprise a net gain on derivatives, excluding accrued interest, of £21m (2013/14: £41m loss), offset by a net loss from fair value adjustments to the carrying value of borrowings and cash of £17m (2013/14: £39m gain).

7 Profit before taxation

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

£ millions	2014/15	2013/14
Sales	**10,966**	11,125
Other income	**37**	39
Finance income	**5**	35
Revenue	**11,008**	11,199

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

£ millions	2014/15	2013/14
Operating lease rentals		
Minimum lease payments – Property	**440**	440
Minimum lease payments – Equipment	**40**	42
Sublease income	**(18)**	(16)
	462	466
Rental income received on investment property	**(6)**	(7)
Amortisation of other intangible assets[1]	**39**	31
Depreciation of property, plant and equipment and investment property		
Owned assets	**212**	220
Under finance leases	**11**	10
Impairment of property, plant and equipment and investment property	**22**	2
Impairment of other intangible assets	**8**	–
Impairment of investment in Hornbach (note 16)	**–**	45
(Gain)/loss on disposal		
Land and buildings, investment property and property held for sale	**(21)**	(2)
Fixtures, fittings and equipment	**1**	3
Inventories: write down to net realisable value	**25**	32
Trade and other receivables: write down of bad and doubtful debts	**4**	4

(1) Of the amortisation of other intangible assets charge, £1m (2013/14: £2m) and £38m (2013/14: £29m) are included in selling and distribution expenses and administrative expenses respectively.

Auditor's remuneration

£ millions	2014/15	2013/14
Fees payable for the audit of the Company and consolidated financial statements	**0.4**	0.3
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	**1.4**	1.5
Audit fees	**1.8**	1.8
Audit-related assurance services	**0.2**	0.1
Other taxation advisory services	**–**	0.1
Other assurance services	**–**	0.1
Other services	**–**	0.1
Non-audit fees	**0.2**	0.4
Auditor's remuneration	**2.0**	2.2

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 were safeguarded are set out in the Audit Committee Report on page 43. No services were provided pursuant to contingent fee arrangements.

8 Employees and directors

£ millions	2014/15	2013/14
Wages and salaries	**1,260**	1,279
Social security costs	**253**	265
Post-employment benefits		
Defined contribution	**28**	27
Defined benefit (service cost only)	**9**	9
Share-based compensation	**11**	7
Employee benefit expenses	**1,561**	1,587

Number thousands	2014/15	2013/14
Stores	**72**	71
Administration	**5**	5
Average number of persons employed	**77**	76

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

Remuneration of key management personnel

£ millions	2014/15	2013/14
Short-term employee benefits	**7.2**	6.6
Post-employment benefits	**1.2**	1.0
Termination benefits	**1.5**	–
Share-based compensation	**1.4**	0.1
	11.3	7.7

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 46 to 75. Other than as set out in the Directors' Remuneration Report, there have been no transactions with key management during the year (2013/14: £nil).

9 Income tax expense

£ millions	2014/15	2013/14
UK corporation tax		
Current tax on profits for the year	**46**	47
Adjustments in respect of prior years	**(96)**	(7)
	(50)	40
Overseas tax		
Current tax on profits for the year	**138**	131
Kesa demerger French tax case	**–**	(118)
Other adjustments in respect of prior years	**(6)**	(11)
	132	2
Deferred tax		
Current year	**(12)**	16
Adjustments in respect of changes in tax rates	**1**	(9)
	(11)	7
Income tax expense	**71**	49

9 Income tax expense continued

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 21% (2013/14: 23%). The differences are explained below:

£ millions	2014/15	2013/14
Profit before taxation	**644**	759
Profit multiplied by the standard rate of corporation tax in the UK of 21% (2013/14: 23%)	**135**	175
Share of post-tax results of joint ventures and associates	**(1)**	(2)
Net income not chargeable for tax purposes	**(5)**	(16)
Temporary differences:		
– Net gains on property	**(4)**	(3)
– Losses not recognised	**11**	9
Foreign tax rate differences	**36**	31
Adjustments in respect of prior years	**(102)**	(136)
Adjustments in respect of changes in tax rates	**1**	(9)
Income tax expense	**71**	49

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% (2013/14: 26%). Exceptional tax items for the year amount to a credit of £106m, £95m of which relates to prior year items. In 2013/14 exceptional tax items amounted to a credit of £114m, with £118m relating to prior year items.

The effective tax rate calculation is set out in the Financial Review on page 21. The overall tax rate for the year is 11% (2013/14: 6%) reflecting the release of prior year provisions either agreed with the tax authorities, reassessed or time expired.

In addition to the amounts charged to the income statement, tax of £99m has been charged directly to equity (2013/14: £67m credit), of which a £13m credit (2013/14: £19m credit) is included in current tax and a £112m charge (2013/14: £48m credit) is included in deferred tax and principally relates to post-employment benefits.

Future changes in tax rates

The UK corporation tax rate fell from 23% to 21% from 1 April 2014 and will fall to 20% from 1 April 2015. The Spanish tax rate will fall from 30% to 28% for the year ended 31 December 2015 and will fall to 25% for the year ended 31 December 2016.

10 Earnings per share

	2014/15			2013/14 (restated – note 2a)		
	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	**573**	**2,358**	**24.3**	709	2,363	30.0
Effect of dilutive share options		**11**	**(0.1)**		19	(0.3)
Diluted earnings per share	**573**	**2,369**	**24.2**	709	2,382	29.7
Basic earnings per share	**573**	**2,358**	**24.3**	709	2,363	30.0
Share of Hornbach post-tax results	**–**		**–**	(14)		(0.6)
Exceptional items before tax	**35**		**1.5**	(17)		(0.7)
Tax on exceptional and prior year items	**(112)**		**(4.8)**	(141)		(6.0)
Financing fair value remeasurements	**(4)**		**(0.2)**	2		0.1
Tax on financing fair value remeasurements	**1**		**0.1**	(1)		–
Adjusted basic earnings per share	**493**	**2,358**	**20.9**	538	2,363	22.8
Diluted earnings per share	**573**	**2,369**	**24.2**	709	2,382	29.7
Share of Hornbach post-tax results	**–**		**–**	(14)		(0.6)
Exceptional items before tax	**35**		**1.5**	(17)		(0.7)
Tax on exceptional and prior year items	**(112)**		**(4.8)**	(141)		(5.9)
Financing fair value remeasurements	**(4)**		**(0.2)**	2		0.1
Tax on financing fair value remeasurements	**1**		**0.1**	(1)		–
Adjusted diluted earnings per share	**493**	**2,369**	**20.8**	538	2,382	22.6

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 trust') 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	2014/15	2013/14
Dividends to equity shareholders of the Company		
Special interim dividend of 4.2p per share paid 25 July 2014	**100**	–
Ordinary interim dividend for the year ended 31 January 2015 of 3.15p per share (1 February 2014: 3.12p per share)	**75**	74
Ordinary final dividend for the year ended 1 February 2014 of 6.78p per share (2 February 2013: 6.37p per share)	**159**	150
	334	224

The proposed final dividend for the year ended 31 January 2015 of 6.85p 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 2 February 2014	**2,541**
Transfers to assets held for sale	**(131)**
Exchange differences	**4**
At 31 January 2015	**2,414**
Impairment	
At 2 February 2014	**(124)**
Transfers to assets held for sale	**131**
Exchange differences	**(7)**
At 31 January 2015	**–**
Net carrying amount	
At 31 January 2015	**2,414**
Cost	
At 3 February 2013	2,524
Additions	18
Exchange differences	(1)
At 1 February 2014	2,541
Impairment	
At 3 February 2013	(125)
Exchange differences	1
At 1 February 2014	(124)
Net carrying amount	
At 1 February 2014	2,417

Goodwill relating to B&Q China has been reclassified to assets held for sale in the current year.

In the prior year the Group acquired the Bricostore Romania companies resulting in additions to goodwill of £18m. Refer to note 33.

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	Other	Total
At 31 January 2015						
Cost	**1,798**	**519**	**81**	**–**	**16**	**2,414**
Net carrying amount	**1,798**	**519**	**81**	**–**	**16**	**2,414**
At 1 February 2014						
Cost	1,798	520	81	124	18	2,541
Impairment	–	–	–	(124)	–	(124)
Net carrying amount	1,798	520	81	–	18	2,417

The recoverable amounts of these groups of CGUs have been determined based on value-in-use calculations. All CGU value-in-use calculations are considered to have been valued using level 3 inputs as defined by the fair value hierarchy of IFRS 13, 'Fair value measurement'.

12 Goodwill continued

The groups of CGUs for which the carrying amount of goodwill is deemed significant are the UK, France and Poland. The Board has reviewed a sensitivity analysis and does 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 five year period. These are based on both past performance and expectations for future market development.

Key drivers in the plans are like-for-like ('LFL') sales, margin and operating profit percentage. LFL sales projections take into consideration both external factors such as market expectations, and internal factors such as trading plans.

Cash flows beyond this five 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.

The pre-tax risk adjusted discount rates and long-term growth rates used are as follows:

	2014/15		
Annual % rate	UK	France	Poland
Discount rate	**8.6**	**8.7**	**8.7**
Long-term growth rate	**3.0**	**2.4**	**3.5**

	2013/14		
Annual % rate	UK	France	Poland
Discount rate	8.9	10.5	10.2
Long-term growth rate	3.0	2.6	3.3

13 Other intangible assets

£ millions	Computer software	Other	Total
Cost			
At 2 February 2014	**490**	**12**	**502**
Additions	**86**	**1**	**87**
Disposals	**(17)**	**–**	**(17)**
Transfers to assets held for sale	**(12)**	**–**	**(12)**
Exchange differences	**(5)**	**(1)**	**(6)**
At 31 January 2015	**542**	**12**	**554**
Amortisation			
At 2 February 2014	**(275)**	**(5)**	**(280)**
Charge for the year	**(38)**	**(1)**	**(39)**
Impairment losses	**(8)**	**–**	**(8)**
Disposals	**17**	**–**	**17**
Transfers to assets held for sale	**10**	**–**	**10**
Exchange differences	**4**	**–**	**4**
At 31 January 2015	**(290)**	**(6)**	**(296)**
Net carrying amount			
At 31 January 2015	**252**	**6**	**258**
Cost			
At 3 February 2013	414	9	423
Acquisition of subsidiaries	–	1	1
Additions	86	2	88
Disposals	(7)	–	(7)
Exchange differences	(3)	–	(3)
At 1 February 2014	490	12	502
Amortisation			
At 3 February 2013	(253)	(4)	(257)
Charge for the year	(30)	(1)	(31)
Disposals	5	–	5
Exchange differences	3	–	3
At 1 February 2014	(275)	(5)	(280)
Net carrying amount			
At 1 February 2014	215	7	222

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 2 February 2014	**3,160**	**2,587**	**5,747**
Additions	**58**	**146**	**204**
Disposals	**(19)**	**(59)**	**(78)**
Transfers to assets held for sale	**(214)**	**(113)**	**(327)**
Exchange differences	**(198)**	**(85)**	**(283)**
At 31 January 2015	**2,787**	**2,476**	**5,263**
Depreciation			
At 2 February 2014	**(429)**	**(1,693)**	**(2,122)**
Charge for the year	**(51)**	**(172)**	**(223)**
Impairment losses	**(9)**	**(3)**	**(12)**
Disposals	**4**	**58**	**62**
Transfers to assets held for sale	**87**	**85**	**172**
Exchange differences	**18**	**45**	**63**
At 31 January 2015	**(380)**	**(1,680)**	**(2,060)**
Net carrying amount			
At 31 January 2015	**2,407**	**796**	**3,203**
Cost			
At 3 February 2013	3,180	2,540	5,720
Additions	85	135	220
Acquisition of subsidiaries	55	5	60
Disposals	(12)	(29)	(41)
Exchange differences	(148)	(64)	(212)
At 1 February 2014	3,160	2,587	5,747
Depreciation			
At 3 February 2013	(396)	(1,576)	(1,972)
Charge for the year	(51)	(178)	(229)
Impairment losses	(1)	(1)	(2)
Disposals	3	29	32
Exchange differences	16	33	49
At 1 February 2014	(429)	(1,693)	(2,122)
Net carrying amount			
At 1 February 2014	2,731	894	3,625
Assets in the course of construction included above at net carrying amount			
At 31 January 2015	**33**	**40**	**73**
At 1 February 2014	44	34	78
Assets held under finance leases included above at net carrying amount			
At 31 January 2015	**16**	**28**	**44**
At 1 February 2014	18	33	51

The cumulative total of borrowing costs included at the balance sheet date, net of depreciation, is £27m (2013/14: £27m).

14 Property, plant and equipment continued

Land and buildings are analysed as follows:

	2014/15				2013/14
£ millions	Freehold	Long leasehold	Short leasehold	Total	Total
Cost	**2,248**	**147**	**392**	**2,787**	3,160
Depreciation	**(160)**	**(9)**	**(211)**	**(380)**	(429)
Net carrying amount	**2,088**	**138**	**181**	**2,407**	2,731

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 31 January 2015 is £170m (2013/14: £254m).

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. Based on this exercise the value of property is £2.7bn (2013/14: £3.4bn) on a sale and leaseback basis with Kingfisher in occupancy. The key assumption used in calculating this is the estimated yields. All the property, plant and equipment market valuations are considered to have been determined by level 2 inputs as defined by the fair value hierarchy of IFRS 13, 'Fair value measurement'.

15 Investment property

£ millions	
Cost	
At 2 February 2014	**60**
Transfers to assets held for sale	**(19)**
At 31 January 2015	**41**
Depreciation	
At 2 February 2014	**(10)**
Impairment losses	**(10)**
Transfers to assets held for sale	**9**
At 31 January 2015	**(11)**
Net carrying amount	
At 31 January 2015	**30**
Cost	
At 3 February 2013	79
Disposals	(3)
Transfers to assets held for sale	(10)
Exchange differences	(6)
At 1 February 2014	60
Depreciation	
At 3 February 2013	(13)
Charge for the year	(1)
Disposals	1
Exchange differences	3
At 1 February 2014	(10)
Net carrying amount	
At 1 February 2014	50

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 £60m (2013/14: £77m). All the investment properties held by the Group at fair value are considered to have fair values determined by level 2 inputs as defined by the fair value hierarchy of IFRS 13, 'Fair value measurement'.

16 Investments in joint ventures and associates

£ millions	
At 2 February 2014	**32**
Share of post-tax results	**5**
Dividends	**(7)**
Exchange differences	**(2)**
At 31 January 2015	**28**

At 3 February 2013	289
Share of post-tax results – before impairment	22
Share of post-tax results – exceptional impairment	(45)
Dividends	(11)
Transfers to assets held for sale	(198)
Exchange differences	(25)
At 1 February 2014	32

In the prior year the Group concluded it had lost the ability to exercise significant influence over the Hornbach businesses based on the Group ceasing to participate in the significant financial and operating policy decisions made by Hornbach. The Group's investment was written down to its fair value of £198m, resulting in an exceptional impairment loss of £45m being recognised in the consolidated income statement. The impairment loss was included within the Group's share of post-tax results, however this excluded an exceptional transfer from reserves of cumulative foreign exchange gains since transition to IFRS of £31m. The Group recorded a £14m pre-exceptional profit in relation to its share of Hornbach's post-tax results, comprising £26m of operating profit less £12m share of interest and tax. Due to active marketing of the shares at the balance sheet date, the investment was reclassified as an asset held for sale. In March 2014 the Group received proceeds of €236m (£198m) on disposal of its investment.

No goodwill is included in the carrying amount of investments in joint ventures and associates (2013/14: £nil).

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

	Principal place of business	% interest held	Class of shares owned	Main activity
Principal joint ventures				
Koçtaş Yapi Marketleri Ticaret A.S.[1]	Turkey	50%	Ordinary	Retailing
Principal associates				
Crealfi S.A.[1]	France	49%	Ordinary	Finance

(1) This company prepares its financial statements to 31 December.

16 Investments in joint ventures and associates continued

Aggregate amounts relating to joint ventures and associates:

	2014/15			2013/14		
£ millions	Joint ventures	Associates	Total	Joint ventures	Associates	Total
Non-current assets	**22**	**2**	**24**	21	2	23
Current assets	**53**	**62**	**115**	47	81	128
Current liabilities	**(42)**	**(53)**	**(95)**	(35)	(69)	(104)
Non-current liabilities	**(16)**	**–**	**(16)**	(13)	(2)	(15)
Share of net assets	**17**	**11**	**28**	20	12	32
Sales	**160**	**12**	**172**	166	631	797
Operating expenses	**(151)**	**(10)**	**(161)**	(155)	(603)	(758)
Operating profit	**9**	**2**	**11**	11	28	39
Net finance costs	**(4)**	**–**	**(4)**	(3)	(6)	(9)
Profit before taxation	**5**	**2**	**7**	8	22	30
Income tax expense	**(1)**	**(1)**	**(2)**	(1)	(7)	(8)
Share of post-tax results before impairment	**4**	**1**	**5**	7	15	22
Exceptional impairment	**–**	**–**	**–**	–	(45)	(45)
Share of post-tax results	**4**	**1**	**5**	7	(30)	(23)

17 Inventories

£ millions	2014/15	2013/14
Finished goods for resale	**2,021**	2,054

Included within finished goods for resale is a deduction for unearned rebates to reflect inventories that have not been sold at the balance sheet date.

The cost of inventories recognised as an expense and included in cost of sales for the year ended 31 January 2015 is £6,373m (2013/14: £6,461m).

18 Trade and other receivables

£ millions	2014/15	2013/14
Non-current		
Prepayments	**5**	11
Property receivables	**1**	2
Other receivables	**1**	2
	7	15
Current		
Trade receivables	**63**	64
Provision for bad and doubtful debts	**(8)**	(9)
Net trade receivables	**55**	55
Property receivables	**2**	3
Prepayments	**121**	137
Other receivables	**359**	395
	537	590
Trade and other receivables	**544**	605

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.

19 Short-term deposits

£ millions	2014/15	2013/14
Short-term deposits	**48**	–

Short-term deposits comprise bank deposits with original maturities of between three and 12 months. The fair values of short-term deposits approximate to their carrying amounts.

20 Cash and cash equivalents

£ millions	2014/15	2013/14
Cash at bank and in hand	**171**	238
Other cash and cash equivalents	**390**	297
	561	535

Other cash and cash equivalents 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.

The Group enters into multi-currency net overdraft facilities and cash pooling agreements with its banks. These agreements and similar arrangements generally enable the counterparties to offset overdraft balances against available cash in the ordinary course of business and/or in the event that the counterparty is unable to fulfil its contractual obligations.

21 Trade and other payables

£ millions	2014/15	2013/14
Current		
Trade payables	**1,366**	1,403
Other taxation and social security	**196**	227
Deferred income	**119**	220
Contract to purchase own shares	**50**	–
Deposit received in advance of B&Q China disposal	**12**	–
Accruals and other payables	**580**	636
	2,323	2,486
Non-current		
Accruals and other payables	**64**	86
Trade and other payables	**2,387**	2,572

The contract to purchase own shares relates to a liability arising under an irrevocable closed season buyback agreement for the purchase of the Company's own shares (see note 28).

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	2014/15	2013/14
Current		
Bank overdrafts	**91**	1
Bank loans	**2**	3
Medium Term Notes and other fixed term debt	**–**	75
Finance leases	**12**	15
	105	94
Non-current		
Bank loans	**9**	11
Medium Term Notes and other fixed term debt	**183**	172
Finance leases	**40**	47
	232	230
Borrowings	**337**	324

Bank overdrafts and loans

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

Non-current bank loans have an average maturity of three years (2013/14: three years) and are arranged at fixed rates of interest with an effective interest rate of 3.1% (2013/14: 2.8%).

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'). In December 2014 the Sterling MTN of £73m was repaid.

					2014/15	2013/14
£ millions	Principal outstanding	Maturity date	Coupon	Effective interest rate	Carrying amount	Carrying amount
Sterling MTN	**–**	**15/12/14**[1]	**5.63%**	**5.8%**	**–**	75
US Dollar USPP	**$68m**	**24/05/16**[2]	**6.30%**	**6.3%**	**47**	45
US Dollar USPP	**$179m**	**24/05/18**[2]	**6.40%**	**6.4%**	**136**	127
					183	247

(1) Swapped to floating rate Euro based on 3 month EURIBOR plus a margin using a cross-currency interest rate swap. This was fully repaid in December 2014.

(2) $247m swapped to floating rate Sterling based on 6 month LIBOR 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 31 January 2015, the cumulative effect of interest rate fair value adjustments is to increase the Group's MTNs and USPP carrying amounts by £19m (2013/14: £25m 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 31 January 2015.

22 Borrowings continued

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 (2013/14: seven years) and for fixtures and equipment is two years (2013/14: 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:

	2014/15		2013/14	
£ millions	Present value of payments	Minimum payments	Present value of payments	Minimum payments
Less than one year	**12**	**15**	15	17
One to five years	**23**	**32**	28	39
More than five years	**17**	**22**	19	26
Total	**52**	**69**	62	82
Less amounts representing finance charges		**(17)**		(20)
Present value of minimum lease payments		**52**		62

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 8.7% (2013/14: 8.4%).

	Fair value	
£ millions	2014/15	2013/14
Bank overdrafts	**91**	1
Bank loans	**12**	16
Medium Term Notes and other fixed term debt	**190**	254
Finance leases	**68**	79
Borrowings	**361**	350

Where available, market values have been used to determine the fair values of 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. This has resulted in Level 1 inputs for the Medium Term Notes and Level 2 inputs for other borrowings as defined by the fair value hierarchy of IFRS 13 'Fair value measurements'.

23 Derivatives

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

£ millions	2014/15	2013/14
Fair value hedges	**54**	33
Cash flow hedges	**54**	(8)
Non-designated hedges	**4**	(7)
	112	18
Non-current assets	**52**	40
Current assets	**70**	5
Current liabilities	**(10)**	(27)
	112	18

The Group holds the following financial instruments at fair value:

£ millions	2014/15	2013/14
Cross currency interest rate swaps	**54**	42
Foreign exchange contracts	**68**	3
Derivative assets	**122**	45

23 Derivatives continued

£ millions	2014/15	2013/14
Cross currency interest rate swaps	**–**	(9)
Foreign exchange contracts	**(10)**	(18)
Derivative liabilities	**(10)**	(27)

The fair values are calculated by discounting future cash flows arising from the instruments and adjusted for credit risk. These fair value measurements are all made using observable market rates of interest, foreign exchange and credit risk.

All the derivatives held by the Group at fair value are considered to have fair values determined by Level 2 inputs as defined by the fair value hierarchy of IFRS 13, 'Fair value measurement'. There are no non-recurring fair value measurements nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy.

At 31 January 2015 net derivative assets included in net cash amount to £57m (2013/14: £27m net derivative assets).

Fair value hedges

Fair value hedges comprise cross currency interest rate swap contracts that convert US Private Placement fixed rate debt into floating rate liabilities. At 31 January 2015 the Sterling equivalent amount of such contracts is £164m (2013/14: £307m). During the year, cross-currency interest rate swaps have matured to coincide with repayments of underlying debt. The Sterling equivalent amount of those matured swaps (at year end exchange rates) was £150m.

Cash flow hedges

Forward foreign exchange contracts hedge currency exposures of forecast inventory purchases. At 31 January 2015 the Sterling equivalent amount of such contracts is £603m (2013/14: £419m). The associated fair value gains and losses will be transferred to inventories when the purchases occur during the next 12 months. Gains of £5m (2013/14: £9m losses) have been transferred to inventories for contracts which matured during the year.

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 31 January 2015 the Sterling equivalent amount of such contracts is £704m (2013/14: £813m). 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.

The Group enters into netting agreements with counterparties to manage the credit and settlement risks associated with over-the-counter derivatives. These netting agreements and similar arrangements generally enable the Group and its counterparties to settle cash flows on a net basis and set-off liabilities against available assets in the event that either party is unable to fulfil its contractual obligations.

Offsetting of derivative assets and liabilities:

£ millions	Gross amounts of recognised derivatives	Gross amounts offset in the consolidated balance sheet	Net amounts of derivatives presented in the consolidated balance sheet	Gross amounts of derivatives not offset in the consolidated balance sheet	Net amount
At 31 January 2015					
Derivative assets	**122**	**–**	**122**	**(10)**	**112**
Derivative liabilities	**(10)**	**–**	**(10)**	**10**	**–**
At 1 February 2014					
Derivative assets	45	–	45	(27)	18
Derivative liabilities	(27)	–	(27)	27	–

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 Russian Rouble. The Euro, Polish Zloty and Russian Rouble exposures are operational and arise through the ownership of retail businesses in France, Spain, Portugal, Germany, Ireland, Poland and Russia. 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 consider effective risk management solutions.

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 debt and cash 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 31 January 2015									
Net cash before fair value adjustments and financing derivatives	**(36)**	**179**	**(19)**	**(11)**	**(164)**	**291**	**–**	**51**	**291**
Fair value adjustments to net cash	**–**	**–**	**–**	**–**	**(19)**	**–**	**–**	**–**	**(19)**
Financing derivatives	**–**	**(723)**	**–**	**341**	**185**	**161**	**–**	**93**	**57**
Net cash	**(36)**	**(544)**	**(19)**	**330**	**2**	**452**	**–**	**144**	**329**
At 1 February 2014									
Net cash before fair value adjustments and financing derivatives	(111)	175	(28)	99	(150)	78	–	173	236
Fair value adjustments to net cash	(3)	–	–	–	(22)	–	–	–	(25)
Financing derivatives	75	(763)	–	201	173	233	–	108	27
Net cash	(39)	(588)	(28)	300	1	311	–	281	238

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	2014/15 Net finance costs Income/ (costs)	2013/14 Net finance costs Income/ (costs)
Effect of 1% rise in interest rates on net finance costs		
Sterling	**(5)**	(6)
Euro	**3**	3
US Dollar	**5**	3
Polish Zloty	**2**	2

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	2014/15 Derivative cash flow hedges Increase	2013/14 Derivative cash flow hedges Increase
Effect of 10% appreciation in foreign exchange rates on derivative cash flow hedges		
US Dollar against Sterling	**36**	17
US Dollar against Euro	**25**	20
US Dollar against Polish Zloty	**3**	2

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 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 31 January 2015 and 1 February 2014 respectively. As a consequence, the analysis relates to the position at those dates and is not necessarily representative of the years then ended. In preparing the sensitivity analysis it is assumed that all hedges are fully effective.

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

Liquidity risk

The Group regularly reviews the level of cash and debt facilities required to fund its activities. This involves preparing a prudent cash flow forecast for the next five 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.

24 Financial risk management continued

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 and short term foreign exchange contracts 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 31 January 2015							
Bank overdrafts	**(91)**	**–**	**–**	**–**	**–**	**–**	**(91)**
Bank loans	**(2)**	**(3)**	**(3)**	**(2)**	**(2)**	**–**	**(12)**
Other fixed term debt	**(10)**	**(54)**	**(8)**	**(123)**	**–**	**–**	**(195)**
Finance leases	**(15)**	**(12)**	**(8)**	**(7)**	**(5)**	**(22)**	**(69)**
Derivatives – receipts	**10**	**54**	**8**	**123**	**–**	**–**	**195**
Derivatives – payments	**(1)**	**(38)**	**(2)**	**(98)**	**–**	**–**	**(139)**
At 1 February 2014							
Bank overdrafts	(1)	–	–	–	–	–	(1)
Bank loans	(3)	(2)	(3)	(4)	(2)	–	(14)
Medium Term Notes and other fixed term debt	(86)	(10)	(49)	(7)	(112)	–	(264)
Finance leases	(17)	(15)	(11)	(7)	(6)	(26)	(82)
Derivatives – receipts	86	10	49	7	112	–	264
Derivatives – payments	(87)	(2)	(39)	(3)	(99)	–	(230)

At 31 January 2015 the Group has an undrawn revolving committed 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 31 January 2015.

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 the fair value of derivative contracts. The credit risk is reduced further by spreading the investments and derivative contracts across several counterparties. At 31 January 2015, the highest total cash investment with a single counterparty was £38m (2013/14: £50m).

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 31 January 2015, trade and other receivables that are past due but not provided against amount to £49m (2013/14: £50m), of which £4m (2013/14: £4m) are over 120 days past due.

Refer to note 36 for details on guarantees provided by the Group.

Capital risk

Capital risk management disclosures are provided in the Financial Review on page 23.

25 Deferred tax

£ millions	2014/15	2013/14
Deferred tax assets	**10**	12
Deferred tax liabilities	**(329)**	(251)
	(319)	(239)

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.

25 Deferred tax continued

£ millions	Accelerated tax depreciation	Gains on property	Provisions	Tax losses	Post-employment benefits	Other	Total
At 2 February 2014	**(151)**	**(114)**	**19**	**7**	**(5)**	**5**	**(239)**
(Charge)/credit to income statement	**(6)**	**8**	**8**	**(2)**	**(1)**	**4**	**11**
Charge to equity	**–**	**–**	**(1)**	**–**	**(92)**	**(19)**	**(112)**
Transfers to liabilities held for sale (China)	**–**	**9**	**–**	**–**	**–**	**–**	**9**
Exchange differences	**13**	**6**	**(3)**	**(1)**	**(3)**	**–**	**12**
At 31 January 2015	**(144)**	**(91)**	**23**	**4**	**(101)**	**(10)**	**(319)**
At 3 February 2013	(136)	(132)	20	8	(57)	11	(286)
(Charge)/credit to income statement	(24)	17	2	–	2	(4)	(7)
(Charge)/credit to equity	–	–	(1)	–	51	(2)	48
Acquisition of subsidiaries	–	(3)	–	–	–	–	(3)
Exchange differences	9	4	(2)	(1)	(1)	–	9
At 1 February 2014	(151)	(114)	19	7	(5)	5	(239)

At the balance sheet date, the Group has unused tax losses of £259m (2013/14: £221m) available for offset against future profits. A deferred tax asset has been recognised in respect of £20m (2013/14: £22m) of such losses. No deferred tax asset has been recognised in respect of the remaining £239m (2013/14: £199m) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses arising in Portugal of £3m which can be carried forward only in the next one to twelve years. Other unrecognised losses may be carried forward indefinitely.

No deferred tax liability is recognised on temporary differences of £3,384m (2013/14: £3,331m) 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.

26 Provisions

£ millions	Onerous property contracts	Restructuring	Total
At 2 February 2014	**29**	**25**	**54**
Charge to income statement	**–**	**11**	**11**
Utilised in the year	**(4)**	**(13)**	**(17)**
Unwinding of discount	**1**	**–**	**1**
Transfers to liabilities held for sale (China)	**–**	**(3)**	**(3)**
Exchange differences	**–**	**1**	**1**
At 31 January 2015	**26**	**21**	**47**
Current liabilities	**4**	**9**	**13**
Non-current liabilities	**22**	**12**	**34**
	26	**21**	**47**

Within the onerous property contracts provisions, Kingfisher has provided against future liabilities for properties sublet at a shortfall and long-term idle properties, along with properties acquired on acquisition of subsidiaries at above-market rents. Such provisions exclude those related to restructuring programmes which are included in the restructuring provisions. The provisions are based on the present value of future cash outflows relating to rent, rates and service charges.

Restructuring provisions include the estimated costs of the UK and Ireland 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 defined contribution schemes. The most significant defined benefit and defined contribution schemes are in the UK. The principal overseas defined benefit schemes are in France, where they are mainly retirement indemnity in nature, and the principal overseas defined contribution scheme is in China. The overseas schemes are not material in relation to the Group as a whole.

Defined contribution schemes

Costs for the Group's defined contribution pension schemes, at rates specified in the individual schemes' rules, are as follows:

£ millions	2014/15	2013/14
Charge to operating profit	**28**	27

From July 2012 an enhanced defined contribution pension scheme was offered to all UK employees. Eligible UK employees have been automatically enrolled into the scheme since 31 March 2013.

Defined benefit schemes

The Group's principal defined benefit arrangement is its funded, final salary pension scheme in the UK. This scheme was closed to new entrants from April 2004 and was closed to future benefit accrual from July 2012.

The scheme operates under trust law and is managed and administered by the Trustee on behalf of members in accordance with the terms of the Trust Deed and Rules and relevant legislation. The Trustee Board consists of ten Trustee directors, made up of five employer appointed directors, one independent director and four member nominated directors. The Trustee Board delegates day-to-day administration of the scheme to the Group Pensions Department of Kingfisher plc.

The main risk to the Group is that additional contributions are required if investment returns and demographic experience is worse than expected. The scheme therefore exposes the Group to actuarial risks, such as longevity risk, currency risk, inflation risk, interest rate risk and market (investment) risk. The Trustee Board regularly reviews such risks and mitigating controls, with a risk register being formally approved on an annual basis. The assets of the scheme are held separately from the Group and the Trustee's investment strategy includes a planned medium-term de-risking of assets, switching from return-seeking to liability-matching assets. Other de-risking activities have included the scheme acquiring an interest in a property partnership, as set out further below.

A full actuarial valuation of the scheme is carried out every three years by an independent actuary for the Trustee and the last full valuation was carried out as at 31 March 2013.

Following this valuation and in accordance with the scheme's Statement of Funding Principles, the Trustee and Kingfisher have agreed annual employer contributions of £36m from April 2014. The contribution schedule has been derived with reference to a funding objective that targets a longer-term, low risk funding position in excess of the minimum statutory funding requirements. This longer-term objective is based on the principle of the scheme reaching a point where it can provide benefits to members with a high level of security, thereby limiting its reliance on the employer for future support. The Company monitors the scheme funding level on a regular basis and will review with the scheme Trustee at future valuations the continued appropriateness of the repayment schedule currently in place.

The Trust Deed provides Kingfisher with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up.

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. In accordance with 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.

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.

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.

27 Post-employment benefits continued

Income statement

£ millions	2014/15 UK	2014/15 Overseas	2014/15 Total	2013/14 UK	2013/14 Overseas	2013/14 Total
Amounts charged/(credited) to operating profit						
Current service cost	**2**	**7**	**9**	2	7	9
Administration costs	**3**	**–**	**3**	3	–	3
Curtailment gain	**–**	**(9)**	**(9)**	–	–	–
	5	**(2)**	**3**	5	7	12
Amounts charged/(credited) to net finance costs						
Net interest expense/(income)	**1**	**2**	**3**	(4)	2	(2)
Total charged/(credited) to income statement	**6**	**–**	**6**	1	9	10

A curtailment gain of £9m has been recognised in relation to the closure of a senior executive scheme in France. Of the net charge to operating profit, a £7m charge (2013/14: £8m charge) and £4m credit (2013/14: £4m 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.

Balance sheet

£ millions	2014/15 UK	2014/15 Overseas	2014/15 Total	2013/14 UK	2013/14 Overseas	2013/14 Total
Present value of defined benefit obligations	**(2,606)**	**(97)**	**(2,703)**	(2,135)	(92)	(2,227)
Fair value of scheme assets	**2,800**	**15**	**2,815**	2,106	21	2,127
Net surplus/(deficit) in schemes	**194**	**(82)**	**112**	(29)	(71)	(100)

Movements in the surplus or deficit are as follows:

£ millions	2014/15 UK	2014/15 Overseas	2014/15 Total	2013/14 UK	2013/14 Overseas	2013/14 Total
Net (deficit)/surplus in schemes at beginning of year	**(29)**	**(71)**	**(100)**	71	(71)	–
Current service cost	**(2)**	**(7)**	**(9)**	(2)	(7)	(9)
Administration costs	**(3)**	**–**	**(3)**	(3)	–	(3)
Curtailment gain	**–**	**9**	**9**	–	–	–
Net interest (expense)/income	**(1)**	**(2)**	**(3)**	4	(2)	2
Net actuarial gains/(losses)	**194**	**(19)**	**175**	(131)	4	(127)
Contributions paid by employer	**35**	**1**	**36**	32	1	33
Exchange differences	**–**	**7**	**7**	–	4	4
Net surplus/(deficit) in schemes at end of year	**194**	**(82)**	**112**	(29)	(71)	(100)

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

£ millions	2014/15 UK	2014/15 Overseas	2014/15 Total	2013/14 UK	2013/14 Overseas	2013/14 Total
Present value of defined benefit obligations at beginning of year	**(2,135)**	**(92)**	**(2,227)**	(1,994)	(93)	(2,087)
Current service cost	**(2)**	**(7)**	**(9)**	(2)	(7)	(9)
Curtailment gain	**–**	**9**	**9**	–	–	–
Interest expense	**(93)**	**(3)**	**(96)**	(90)	(3)	(93)
Actuarial (losses)/gains – changes in financial assumptions	**(471)**	**(20)**	**(491)**	(8)	5	(3)
Actuarial gains – changes in demographic assumptions	**–**	**–**	**–**	16	–	16
Actuarial gains/(losses) – experience adjustments	**30**	**1**	**31**	(120)	(1)	(121)
Benefits paid	**65**	**7**	**72**	63	1	64
Exchange differences	**–**	**8**	**8**	–	6	6
Present value of defined benefit obligations at end of year	**(2,606)**	**(97)**	**(2,703)**	(2,135)	(92)	(2,227)

27 Post-employment benefits continued

The present value of UK scheme defined benefit obligation is 62% (2013/14: 62%) in respect of deferred members and 38% (2013/14: 38%) in respect of current pensioners.

The weighted average duration of the UK scheme obligations at the end of the year is 21 years (2013/14: 21 years).

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

	2014/15			2013/14		
£ millions	UK	Overseas	Total	UK	Overseas	Total
Fair value of scheme assets at beginning of year	**2,106**	**21**	**2,127**	2,065	22	2,087
Administration costs	**(3)**	**–**	**(3)**	(3)	–	(3)
Interest income	**92**	**1**	**93**	94	1	95
Actuarial gains/(losses) – actual return less interest income	**635**	**–**	**635**	(19)	–	(19)
Contributions paid by employer	**35**	**1**	**36**	32	1	33
Benefits paid	**(65)**	**(7)**	**(72)**	(63)	(1)	(64)
Exchange differences	**–**	**(1)**	**(1)**	–	(2)	(2)
Fair value of scheme assets at end of year	**2,800**	**15**	**2,815**	2,106	21	2,127

The fair value of scheme assets is analysed as follows:

	2014/15				2013/14			
£ millions	UK	Overseas	Total	% of total	UK	Overseas	Total	% of total
Government bonds	**1,262**	**–**	**1,262**	**45%**	741	–	741	35%
Corporate bonds	**706**	**–**	**706**	**25%**	650	–	650	31%
UK equities	**59**	**–**	**59**	**2%**	73	–	73	3%
Overseas equities	**394**	**–**	**394**	**14%**	443	–	443	20%
Property	**28**	**–**	**28**	**1%**	32	–	32	2%
Cash and other	**351**	**15**	**366**	**13%**	167	21	188	9%
Total fair value of scheme assets	**2,800**	**15**	**2,815**	**100%**	2,106	21	2,127	100%

All UK scheme assets have quoted prices in active markets, except for £165m (2013/14: £157m) of property and other assets. Interest rate and inflation rate swaps are employed in the UK scheme to complement the use of fixed and index-linked bonds for liability risk management purposes and are included in the Corporate bonds category above.

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 £36m.

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 derived using a single equivalent discount rate approach, based on the yields available on a portfolio of high-quality sterling corporate bonds with the same duration to that of the scheme liabilities.

	2014/15		2013/14	
Annual % rate	UK	Overseas	UK	Overseas
Discount rate	**3.0**	**1.8**	4.4	3.2
Price inflation	**2.8**	**2.0**	3.3	2.0
Rate of pension increases	**2.7**	**–**	3.1	–
Salary escalation	**n/a**	**2.5**	n/a	2.3

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 2010 to 2013. The base mortality assumptions have been derived by adjusting standard mortality tables (SAPS tables) projected forward to 2013 using the 'CMI 2013' core projection improvement factors, as published by the UK actuarial profession. In addition, allowance has been made for future increases in life expectancy. The allowance is in line with CMI 2013 improvements subject to a long-term rate of 1.25% pa for males and 1.0% pa for females. 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	2014/15	2013/14
Age to which current pensioners are expected to live (60 now)		
– Male	**86.7**	86.7
– Female	**87.3**	87.3
Age to which future pensioners are expected to live (60 in 15 years' time)		
– Male	**87.4**	87.4
– Female	**88.6**	88.6

The following sensitivity analysis for the UK scheme shows the estimated impact on the obligation 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 £53m
Price inflation	Increase/decrease by 0.1%	Increase/decrease by £46m
Rate of pension increases	Increase/decrease by 0.1%	Increase/decrease by £47m
Mortality	Increase in life expectancy by one year	Increase by £94m

Due to the asset-liability matching investment strategy, the above impacts on the obligations of changes in discount rate and price inflation would be significantly offset by movements in the fair value of the scheme assets.

28 Share capital

	Number of ordinary shares millions	Ordinary share capital £ millions
At 2 February 2014	**2,376**	**373**
New shares issued under share schemes	**3**	**1**
Purchase of own shares for cancellation	**(29)**	**(5)**
At 31 January 2015	**2,350**	**369**
At 3 February 2013	2,372	373
New shares issued under share schemes	4	–
At 1 February 2014	2,376	373

Ordinary shares have a par value of $15^{5}/_{7}$ pence per share.

During the year the Group purchased 29 million of the Company's own shares for cancellation at a cost of £100m as part of its capital returns programme. At 31 January 2015 the Group had an additional contractual commitment of £50m to purchase the Company's own shares under an irrevocable closed season buyback agreement and therefore £150m is recorded within the Consolidated statement of changes in equity.

29 Other reserves

£ millions	Cash flow hedge reserve	Translation reserve	Other	Total
At 2 February 2014	**(5)**	**112**	**159**	**266**
Currency translation differences				
Group	**–**	**(309)**	**–**	**(309)**
Joint ventures and associates	**–**	**(2)**	**–**	**(2)**
Cash flow hedges				
Fair value gains	**70**	**–**	**–**	**70**
Gains transferred to inventories	**(5)**	**–**	**–**	**(5)**
Tax on items that may be reclassified	**(19)**	**5**	**–**	**(14)**
Other comprehensive income for the year	**46**	**(306)**	**–**	**(260)**
Purchase of own shares for cancellation	**–**	**–**	**5**	**5**
At 31 January 2015	**41**	**(194)**	**164**	**11**
At 3 February 2013	(8)	374	159	525
Currency translation differences				
Group	–	(210)	–	(210)
Joint ventures and associates	–	(25)	–	(25)
Transferred to income statement	–	(31)	–	(31)
Cash flow hedges				
Fair value losses	(4)	–	–	(4)
Losses transferred to inventories	9	–	–	9
Tax on items that may be reclassified	(2)	4	–	2
Other comprehensive income for the year	3	(262)	–	(259)
At 1 February 2014	(5)	112	159	266

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

30 Share-based payments

	2014/15		2013/14	
	Options Number	Weighted average exercise price £	Options Number	Weighted average exercise price £
Outstanding at beginning of year	**38,123,624**	**0.61**	62,167,023	0.39
Granted during the year[(1),(2)]	**13,371,999**	**1.09**	6,279,763	1.37
Forfeited during the year	**(14,117,788)**	**0.27**	(9,569,630)	0.27
Exercised during the year	**(10,799,978)**	**0.57**	(20,753,532)	0.33
Outstanding at end of year	**26,577,857**	**1.05**	38,123,624	0.61
Exercisable at end of year	**1,557,515**	**0.87**	2,731,735	0.41

(1) The charge to the income statement for the years ended 31 January 2015 and 1 February 2014 in respect of share-based payments includes the first year's charge of the 2015 Kingfisher Incentive Share Plan ('KISP') – Deferred Bonus Award and 2014 Kingfisher Incentive Share Scheme ('KISS') grants respectively, based on the cash bonus for the year. Since grants under the KISP – Deferred Bonus Award and 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, KISP, Kingfisher Performance Share Plan ('PSP') and discounted Sharesave options (see below).

30 Share-based payments continued

Information on the share schemes is given in note 16 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 £3.49 (2013/14: £3.53). The options outstanding at the end of the year have exercise prices ranging from nil to £3.15 and a weighted average remaining contractual life of 3.6 years (2013/14: 2.9 years).

The Group recognised a total expense of £11m in the year ended 31 January 2015 (2013/14: £7m) relating to equity-settled share-based payment transactions.

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 £
Kingfisher Incentive Share Scheme[1]	25/04/12	2.96	–	7.0	–	–	–	2.96
	11/04/13	2.97	–	7.0	–	–	–	2.97
	23/04/14	4.19	–	7.0	–	–	–	4.19
Performance Share Plan	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
	25/04/13	3.10	–	7.0	–	–	–	3.10
	22/10/13	3.74	–	7.0	–	–	–	3.74
Kingfisher Incentive Share Plan – Long Term Incentive Awards	03/07/14	3.61	–	7.0	–	–	–	3.61
	15/09/14	3.16	–	7.0	–	–	–	3.16
UK and International Sharesave	03/11/09	2.24	1.72	5.5	36.4%	2.4%	2.9%	0.38
	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
	22/10/13	3.74	3.15	3.5	23.3%	2.5%	0.9%	0.49
	22/10/13	3.74	3.15	5.5	33.6%	2.5%	1.6%	0.59
	21/10/14	2.94	2.52	3.5	23.8%	3.4%	1.1%	0.35
	21/10/14	2.94	2.52	5.5	24.5%	3.4%	1.5%	0.31

(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 KISP, KISS and PSP schemes in the UK, the expiry date is 7 years from the date of grant. Expiry of overseas KISS schemes is 6 months from the date of vesting. Expiry of overseas KISP – Long Term Incentive Award 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.

31 Cash generated by operations

£ millions	2014/15	2013/14
Operating profit	**652**	736
Share of post-tax results of joint ventures and associates	**(5)**	(8)
Depreciation and amortisation	**262**	261
Impairment losses	**30**	2
(Profit)/loss on disposal of property, plant and equipment, investment property, property held for sale and intangible assets	**(20)**	1
Share-based compensation charge	**11**	7
Increase in inventories	**(150)**	(31)
Decrease/(increase) in trade and other receivables	**12**	(60)
Increase in trade and other payables	**53**	118
Movement in provisions	**(6)**	(29)
Movement in post-employment benefits	**(33)**	(21)
Cash generated by operations	**806**	976

32 Net cash

£ millions	2014/15	2013/14
Cash and cash equivalents	**561**	535
Bank overdrafts	**(91)**	(1)
Cash and cash equivalents and bank overdrafts	**470**	534
Short-term deposits	**48**	–
Bank loans	**(11)**	(14)
Medium Term Notes and other fixed term debt	**(183)**	(247)
Financing derivatives	**57**	27
Finance leases	**(52)**	(62)
Net cash	**329**	238

£ millions	2014/15	2013/14
Net cash at beginning of year	**238**	38
Net increase in cash and cash equivalents and bank overdrafts	**55**	153
Increase in short-term deposits	**48**	–
Repayment of bank loans	**2**	89
Repayment of Medium Term Notes and other fixed term debt	**73**	33
Payment/(receipt) on financing derivatives	**9**	(6)
Capital element of finance lease rental payments	**14**	13
Cash flow movement in net cash	**201**	282
Borrowings acquired	**–**	(35)
Transfers to assets held for sale (China)	**(57)**	–
Exchange differences and other non-cash movements	**(53)**	(47)
Net cash at end of year	**329**	238

33 Acquisitions

In the prior year, the Group acquired 100% of the share capital of the Bricostore Romania companies from Group Bresson, a French retail company. Consideration of £51m comprised £35m cash and a further £16m non-cash element, representing the obligation to assume a liability of the vendor.

Goodwill of £18m was recognised on net assets of £33m, representing a strategic premium to strengthen the Group's position in Eastern Europe and anticipated synergies that will arise from the acquisition.

£ millions	
Fair value amounts recognised of identifiable assets acquired and liabilities assumed:	
Other intangible assets	1
Property, plant and equipment	60
Inventories	29
Trade and other receivables	22
Cash and cash equivalents	7
Trade and other payables	(34)
Current tax liabilities	(3)
Deferred tax assets	1
Deferred tax liabilities	(4)
Borrowings	(35)
Provisions	(11)
Total identifiable net assets acquired	33
Goodwill	18
Total consideration	51

The acquisition amounts recorded in the consolidated cash flow statement in the prior year were:

£ millions	
Cash consideration	(35)
Cash acquired	7
Purchase of businesses, net of cash acquired	(28)

Immediately following the acquisition, Kingfisher settled Bricostore Romania's borrowings of £35m (included within repayment of loans in the cash flow statement).

Acquisition related fees of £2m were charged in the consolidated income statement in the prior year.

Owing to local conditions, Bricostore Romania prepares its financial statements to 31 December. In the period from 31 May 2013 to 31 December 2013, it contributed sales of £72m and a retail profit of £1m. If the acquisition had occurred at the start of the financial year, the Group's sales would have been £11,163m and Group operating profit, after exceptional items, would have been £734m for the year ended 1 February 2014.

34 Assets and liabilities held for sale

£ millions	2014/15	2013/14
Assets held for sale	**274**	208
Liabilities held for sale	**(195)**	–
	79	208

On 22 December 2014, Kingfisher announced a binding agreement to sell a controlling 70% stake in its B&Q China business to Wumei Holdings Inc for a total cash consideration of £140m. The agreement followed Kingfisher's previous announcement of its plans to look for a strategic partner to help develop its B&Q business in China. The transaction is conditional on MOFCOM (Chinese Ministry of Commerce) approval and, if approved, is expected to close during the first half of Kingfisher's 2015/16 financial year. On completion, a £12m deposit received in the current year would be repaid. As part of the terms of the transaction, Kingfisher would have the option following the second anniversary of the completion of the transaction, or sooner where agreed by both parties, to sell the remaining 30% economic interest to Wumei Holdings Inc for a fixed price of the Sterling equivalent of RMB 582m (£62m at year end exchange rate). At the balance sheet date, Kingfisher was subject to certain contractual restrictions over B&Q China's assets and liabilities as part of the agreement.

Following the announcement the B&Q China business' assets and liabilities were classified as a disposal group held for sale. The business is presented within the 'Other International' reporting segment.

Assets and liabilities held for sale also include freehold properties in Brazil.

Prior year assets held for sale comprised the Group's 21% investment in Hornbach, which was subsequently sold in March 2014 for €236m (£198m), and a UK freehold property asset.

35 Commitments

Operating lease commitments

The Group is a lessee of various retail stores, offices, warehouses and plant and equipment under lease agreements with varying terms, escalation clauses and renewal rights.

The Group is also a lessor and sub-lessor of space with freehold and leasehold properties respectively. 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	2014/15	2013/14
Less than one year	**409**	460
One to five years	**1,406**	1,571
More than five years	**1,933**	2,347
	3,748	4,378

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

£ millions	2014/15	2013/14
Less than one year	**15**	31
One to five years	**41**	101
More than five years	**48**	104
	104	236

The total of future minimum operating sublease receipts expected to be received is £73m (2013/14: £197m).

Capital commitments

Capital commitments contracted but not provided for by the Group amount to £57m (2013/14: £31m).

36 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 (2013/14: £1m) 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.

37 Related party transactions

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

	2014/15		2013/14	
£ 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)**	**(0.1)**	(0.1)	–
Commission and other income	**1.2**	**0.2**	1.2	0.6
Transactions with Hornbach Holding A.G. in which the Group held a 21% interest				
Commission and other income	**n/a**	**n/a**	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	**6.6**	**1.5**	7.1	0.4
Transactions with Kingfisher Pension Scheme				
Provision of administrative services	**1.3**	**0.4**	0.8	0.1

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

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

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

38 Post balance sheet events

On 23 July 2014 Kingfisher entered into a binding agreement with the principal shareholders of Mr Bricolage to acquire their shareholdings subject to satisfactory French anti-trust clearance. This agreement made provision that it would lapse if the anti-trust clearance was not obtained by 31 March 2015 and an extension was not agreed by all parties. Subsequent to the balance sheet date, it has become clear that the anti-trust clearance will not be obtained by 31 March 2015 and therefore the July 2014 agreement will lapse on that date. Consequently the transaction will not proceed.

Company balance sheet

At 31 January 2015

£ millions	Notes	2014/15	2013/14
Fixed assets			
Intangible assets	3	**4**	–
Tangible fixed assets	4	**–**	–
Investments	5	**6,823**	7,101
		6,827	7,101
Current assets			
Debtors due within one year	6	**3,338**	3,259
Debtors due after more than one year	6	**56**	44
Short-term deposits	7	**25**	–
Cash at bank and in hand		**102**	153
		3,521	3,456
Current liabilities			
Creditors: amounts falling due within one year	8	**(4,325)**	(5,539)
Net current liabilities		**(804)**	(2,083)
Total assets less current liabilities		**6,023**	5,018
Non-current liabilities			
Creditors: amounts falling due after more than one year	9	**(183)**	(172)
Provisions for liabilities	10	**(6)**	(7)
		(189)	(179)
Net assets excluding net pension asset		**5,834**	4,839
Net pension asset	11	**–**	–
Net assets		**5,834**	4,839
Capital and reserves			
Called up share capital	13	**369**	373
Share premium account	14	**2,214**	2,209
Other reserves	14	**716**	711
Profit and loss account	14	**2,535**	1,546
Equity shareholders' funds	15	**5,834**	4,839

The financial statements were approved by the Board of Directors on 30 March 2015 and signed on its behalf by:

Véronique Laury
Chief Executive Officer

Karen Witts
Chief Financial Officer

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 31 January 2015. Refer to the Directors' statement of responsibility on page 79.

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	2014/15	2013/14
Year end rate	**1.33**	1.22

b. Intangible assets

Intangible fixed assets are carried in the balance sheet at cost less accumulated amortisation and any provisions for impairment. Amortisation is provided to reflect a straight line reduction from cost to estimated residual value over the estimated useful life of the asset.

c. Tangible fixed assets

Tangible fixed assets are carried on 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.

d. Investments

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

e. 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.

f. 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 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 credited or charged 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 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 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 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 trust')
The ESOP trust is a separately administered discretionary trust. Liabilities of the ESOP trust are guaranteed by the Company and the assets of the ESOP trust mainly comprise shares in the Company.

Own shares held by the ESOP trust 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 trust are included in both the Company's and the consolidated financial statements.

g. 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 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.

h. 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.

i. 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) Other investments (including short-term deposits)
Other investments may include short-term deposits with banks and other investments with original maturities of more than three months. Investments classified as 'available-for-sale' under FRS 26, 'Financial instruments: Recognition and measurement', are initially measured at fair value, with subsequent changes in fair value recorded directly in equity shareholders' funds.

(iii) Trade creditors
Trade creditors are initially recognised at fair value and are subsequently measured at amortised cost.

(iv) 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 were safeguarded are set out in the Audit Committee Report on page 43.

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

£ millions	2014/15	2013/14
Wages and salaries	**25**	20
Social security costs	**3**	3
Pensions – defined contribution	**2**	2
Share-based compensation	**5**	1
Employee benefit expenses	**35**	26

Number	2014/15	2013/14
Average number of persons employed		
Administration	**220**	157

Directors' remuneration and details of share option exercises are disclosed in the Directors' remuneration report on pages 46 to 75. Total Directors' remuneration for the year is £8m (2013/14: £6m).

3 Intangible assets

£ millions	Brands
Cost	
At 2 February 2014	**–**
Additions	**4**
At 31 January 2015	**4**
Amortisation	
At 2 February 2014	**–**
At 31 January 2015	**–**
Net carrying amount	
At 1 February 2014	**–**
At 31 January 2015	**4**

4 Tangible fixed assets

£ millions	Fixtures, fittings and equipment
Cost	
At 2 February 2014	**4**
At 31 January 2015	**4**
Depreciation	
At 2 February 2014	**(4)**
At 31 January 2015	**(4)**
Net carrying amount	
At 1 February 2014	–
At 31 January 2015	**–**

5 Investments

£ millions	Investments in Group undertakings
At 2 February 2014	**7,101**
Disposals	**(224)**
Impairment losses	**(63)**
Capital contributions given relating to share-based payments	**9**
At 31 January 2015	**6,823**

Disposals of investments represent the sale of Kingfisher Information Technology Services (UK) Limited for £224m to a subsidiary undertaking.

As part of a Group restructuring undertaken during the year, the Company transferred all directly held investments to Kingfisher UK Investments Limited in exchange for a 100% interest in the entity. After the balance sheet date, Kingfisher UK Investments Limited changed its name to Kingfisher Holdings Limited.

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
CMW (UK) Limited[2]	Great Britain	100%	Ordinary	Holding company
Halcyon Finance Limited	Great Britain	100%	Ordinary	Finance
Kingfisher Information Technology Services (UK) Limited	Great Britain	100%	Ordinary	IT services
Kingfisher UK Investments Limited[3]	Great Britain	100%	Ordinary	Holding company
Screwfix Direct Limited	Great Britain	100%	Ordinary	Retailing
Sheldon Holdings Limited	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.U.[4]	France	100%	Ordinary	Retailing
Castorama Dubois Investissements S.C.A.[4]	France	100%	Ordinary	Holding company
Castorama France S.A.S.U.[4]	France	100%	Ordinary	Retailing
Euro Dépôt Immobilier S.A.S.U.[4]	France	100%	Ordinary	Property investment
L'Immobilière Castorama S.A.S.U.[4]	France	100%	Ordinary	Property investment
Kingfisher France S.A.S.U.[4]	France	100%	Ordinary	Holding company
Kingfisher Asia Limited	Hong Kong	100%	Ordinary	Sourcing
Castim Sp.z.o.o.[4]	Poland	100%	Ordinary	Property investment
Castorama Polska Sp.z.o.o.[4]	Poland	100%	Ordinary	Retailing
Brico Dépôt Portugal S.A.[4]	Portugal	100%	Ordinary	Retailing
Castorama RUS LLC[5]	Russia	100%	Ordinary	Retailing
Bricostore Romania S.A.[5]	Romania	100%	Ordinary	Retailing
Euro Dépôt España S.A.U.[4]	Spain	100%	Ordinary	Retailing

(1) The special shares in B&Q plc are owned 100% by Kingfisher plc and are non-voting.

(2) Holding company for the Group's Chinese retailing operations, which have a December year end.

(3) Held directly by Kingfisher plc.

(4) Owing to local conditions, these companies prepare their financial statements to 31 January.

(5) Owing to local conditions, these companies prepare their financial statements to 31 December.

6 Debtors

£ millions	2014/15	2013/14
Amounts falling due within one year		
Owed by Group undertakings	**3,251**	3,178
Corporation tax	**71**	76
Derivative assets	**11**	3
Other debtors	**5**	2
	3,338	3,259
Amounts falling due after more than one year		
Derivative assets	**52**	40
Deferred tax assets	**4**	4
	56	44

7 Short-term deposits

£ millions	2014/15	2013/14
Short-term deposits	**25**	–

Short term deposits comprise bank deposits with original maturities of between three and 12 months.

8 Creditors: amounts falling due within one year

£ millions	2014/15	2013/14
Medium Term Notes and other fixed term debt	**–**	75
Derivative liabilities	**7**	14
Owed to Group undertakings	**4,232**	5,413
Other taxation and social security	**1**	1
Contract to purchase own shares	**50**	–
Accruals and other payables	**35**	36
	4,325	5,539

The contract to purchase own shares relates to a liability arising under an irrevocable closed season buyback agreement for the purchase of the Company's own shares (see note 13).

9 Creditors: amounts falling due after more than one year

£ millions	2014/15	2013/14
Borrowings		
Medium Term Notes and other fixed term debt	**183**	172
	183	172
Borrowings fall due for repayment as follows:		
One to two years	**47**	–
Two to five years	**136**	172
	183	172

10 Provisions for liabilities

£ millions	Onerous property contracts
At 2 February 2014	**7**
Utilised in the year	**(1)**
At 31 January 2015	**6**

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

11 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	2014/15	2013/14
Charge to operating profit	**2**	2

From July 2012 an enhanced defined contribution scheme has been offered to all Company employees. Eligible Company employees have been automatically enrolled into the defined contribution scheme since 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 2013 and has been updated to 31 January 2015.

The final salary pension scheme was closed to future benefit accrual with effect from July 2012. Under UK accounting standards, the amount of surplus that can be recognised is restricted following the closure to future accrual of benefits, resulting in a full provision against the net surplus.

In 2010/11 and 2011/12 the Company entered into two phases of a property partnership 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. The reported pension position, before provision for asset restriction, reflects the Company's share of the resulting scheme asset.

Profit and loss account

£ millions	2014/15	2013/14
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	**–**	–

Balance sheet

£ millions	2014/15	2013/14
Present value of defined benefit obligation	**(77)**	(63)
Fair value of scheme assets	**88**	68
Net pension asset before provision for asset restriction	**11**	5
Provision for asset restriction	**(11)**	(5)
Net pension asset	**–**	–

11 Net pension asset continued

Movements in the net pension asset are as follows:

£ millions	Defined benefit obligation	Scheme assets	Total	Provision for asset restriction	Net
At 2 February 2014	**(63)**	**68**	**5**	**(5)**	**–**
Interest on defined benefit obligation	**(3)**	**–**	**(3)**	**–**	**(3)**
Expected return on pension scheme assets	**–**	**3**	**3**	**–**	**3**
Actuarial (losses)/gains	**(13)**	**18**	**5**	**(6)**	**(1)**
Contributions paid by employer	**–**	**1**	**1**	**–**	**1**
Benefits paid	**2**	**(2)**	**–**	**–**	**–**
At 31 January 2015	**(77)**	**88**	**11**	**(11)**	**–**

£ millions	Defined benefit obligation	Scheme assets	Total	Provision for asset restriction	Net
At 3 February 2013	(59)	67	8	(8)	–
Interest on defined benefit obligation	(3)	–	(3)	–	(3)
Expected return on pension scheme assets	–	3	3	–	3
Actuarial (losses)/gains	(3)	(1)	(4)	3	(1)
Contributions paid by employer	–	1	1	–	1
Benefits paid	2	(2)	–	–	–
At 1 February 2014	(63)	68	5	(5)	–

The fair value of scheme assets is analysed as follows:

	2014/15		2013/14	
	£ millions	% of total	£ millions	% of total
Equities	**13**	**15%**	15	22%
Bonds	**58**	**66%**	41	61%
Property	**1**	**1%**	1	1%
Other	**16**	**18%**	11	16%
Total fair value of scheme assets	**88**	**100%**	68	100%

The actual return on pension scheme assets is as follows:

£ millions	2014/15	2013/14
Actual return on pension scheme assets	**21**	2

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

11 Net pension asset continued

Amounts for current and previous four years

£ millions	2014/15	2013/14	2012/13	2011/12	2010/11
Present value of defined benefit obligation	**(77)**	(63)	(59)	(55)	(45)
Fair value of scheme assets	**88**	68	67	62	47
Net pension asset before provision for asset restriction	**11**	5	8	7	2
Provision for asset restriction	**(11)**	(5)	(8)	–	–
Net pension asset	**–**	–	–	7	2
Changes in assumptions underlying present value of defined benefit obligation	**(14)**	–	(3)	(8)	2
Percentage of defined benefit obligation	***18%***	–	*5%*	*15%*	*(4%)*
Experience gains/(losses) arising on defined benefit obligations	**1**	(3)	–	–	2
Percentage of defined benefit obligation	***(1%)***	*5%*	–	–	*(4%)*
Actual return less expected return on pension scheme assets	**18**	(1)	3	9	–
Percentage of scheme assets	***20%***	*(1%)*	*4%*	*15%*	–
Provision for asset restriction – movement recognised in the profit and loss reserve	**(6)**	3	(2)	–	–
Total (losses)/gains recognised in the profit and loss reserve in the year	**(1)**	(1)	(2)	1	4
Cumulative losses recognised in the profit and loss reserve	**(17)**	(16)			

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 derived using a single equivalent discount rate approach, based on the yields available on a portfolio of high-quality sterling corporate bonds with the same duration to that of the scheme liabilities. The overall expected rate of return on scheme assets reflects market expectations at the balance sheet date of long-term asset returns and the mix of assets in the scheme.

Annual % rate	2014/15	2013/14
Discount rate	**3.0**	4.4
Price inflation	**2.8**	3.3
Rate of pension increases	**2.7**	3.1

% rate of return	2014/15	2013/14
Equities	**6.2**	7.2
Bonds	**2.3**	3.7
Property	**5.6**	6.5
Other	**3.8**	4.5
Overall expected rate of return	**3.2**	4.7

The mortality assumptions used in the actuarial valuations have been selected with regard to the characteristics and experience of the membership of the scheme from 2010 to 2013. The base mortality assumptions have been derived by adjusting standard mortality tables (SAPS tables) projected forward to 2013 using the 'CMI 2013' core projection improvement factors, as published by the UK actuarial profession. In addition, allowance has been made for future increases in life expectancy. The allowance is in line with CMI 2013 improvements subject to a long-term rate of 1.25% pa for males and 1.0% pa for females. 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	2014/15	2013/14
Age to which current pensioners are expected to live (60 now)		
– Male	**86.7**	86.7
– Female	**87.3**	87.3
Age to which future pensioners are expected to live (60 in 15 years' time)		
– Male	**87.4**	87.4
– Female	**88.6**	88.6

12 Commitments

Operating lease commitments

The Company is a lessee of offices under lease agreements with varying terms, escalation clauses and renewal rights.

Annual commitments under non-cancellable operating leases are as follows:

£ millions	2014/15	2013/14
More than five years	**3**	3
	3	3

13 Called up share capital

	Number of ordinary shares millions	Ordinary share capital £ millions
At 2 February 2014	**2,376**	**373**
New shares issued under share schemes	**3**	**1**
Purchase of own shares for cancellation	**(29)**	**(5)**
At 31 January 2015	**2,350**	**369**
At 3 February 2013	2,372	373
New shares issued under share schemes	4	–
At 1 February 2014	2,376	373

Ordinary shares have a par value of $15^{5}/_{7}$ pence per share.

During the year the Company purchased 29 million of its own shares for cancellation at a cost of £100m as part of its capital returns programme. At 31 January 2015 the Company had an additional contractual commitment of £50m to purchase its own shares under an irrevocable closed season buyback agreement.

14 Reserves

£ millions	Share premium account	Other reserves	Profit and loss account	Total
At 2 February 2014	**2,209**	**711**	**1,546**	**4,466**
Profit for the year	**–**	**–**	**1,475**	**1,475**
Actuarial losses on defined benefit pension scheme	**–**	**–**	**(1)**	**(1)**
Share-based compensation	**–**	**–**	**5**	**5**
Capital contributions given relating to share-based payments	**–**	**–**	**9**	**9**
New shares issued under share schemes	**5**	**–**	**–**	**5**
Own shares issued under share schemes	**–**	**–**	**2**	**2**
Purchase of own shares for cancellation	**–**	**5**	**(150)**	**(145)**
Purchase of own shares for ESOP trust	**–**	**–**	**(17)**	**(17)**
Dividends	**–**	**–**	**(334)**	**(334)**
At 31 January 2015	**2,214**	**716**	**2,535**	**5,465**

The other reserves represent the premium on the issue of convertible loan stock in 1993, the merger reserve relating to the acquisition of Darty and the capital redemption reserve.

The value of own shares deducted from the profit and loss reserve at 31 January 2015 is £26m (2013/14: £35m).

15 Reconciliation of movement in equity shareholders' funds

£ millions	2014/15	2013/14
Profit for the year	**1,475**	440
Dividends	**(334)**	(224)
	1,141	216
Actuarial losses on defined benefit pension scheme	**(1)**	(1)
Share-based compensation	**5**	1
Capital contributions given relating to share-based payments	**9**	10
New shares issued under share schemes	**6**	5
Own shares issued under share schemes	**2**	8
Purchase of own shares for cancellation	**(150)**	–
Purchase of own shares for ESOP trust	**(17)**	(24)
Net increase in equity shareholders' funds	**995**	215
Equity shareholders' funds at beginning of year	**4,839**	4,624
Equity shareholders' funds at end of year	**5,834**	4,839

16 Share options

The Company operates a number of share incentive plans including the Kingfisher Incentive Share Plan ('KISP'), Kingfisher Incentive Share Scheme ('KISS'), Kingfisher Performance Share Plan ('PSP'), Store Management Incentive Share Scheme and Sharesave plans in the UK, Ireland and overseas.

A summary of options is detailed below.

	2014/15		2013/14	
	Options Number	Weighted average exercise price £	Options Number	Weighted average exercise price £
Outstanding at beginning of year	**12,599,397**	**0.07**	21,815,585	0.04
Granted during the year[(1),(2)]	**2,396,343**	**0.33**	1,213,771	0.18
Forfeited during the year	**(7,445,145)**	**0.01**	(4,061,019)	0.05
Exercised during the year	**(2,252,486)**	**0.13**	(6,368,940)	0.02
Outstanding at end of year	**5,298,109**	**0.25**	12,599,397	0.07
Exercisable at end of year	**606,557**	**0.16**	1,581,128	0.02

(1) The charge to the profit and loss account for the years ended 31 January 2015 and 1 February 2014 in respect of share-based payments includes the first year's charge of the 2015 Kingfisher Incentive Share Plan – Deferred Bonus Award and 2014 Kingfisher Incentive Share Scheme ('KISS') respectively.

(2) The weighted average exercise price for options granted during the year represents a blend of nil price KISP, KISS, PSP and discounted Sharesave options.

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 £3.49 (2013/14: £3.53). The options outstanding at the end of the year have exercise prices ranging from nil to £3.15 and a weighted average remaining contractual life of 4.5 years (2013/14: 3.9 years).

A full list of outstanding options granted by the Company to the Group employees, which includes those held by the Executive Directors, is shown below. The Executive Directors' awards are disclosed in the Directors' Remuneration Report on pages 46 to 75.

16 Share options continued

	Date of grant	Exercisable from	Exercise price £	2014/15 Shares under option Number	2013/14 Shares under option Number
Kingfisher Incentive Share Scheme	21/04/09	21/04/12	–	**9,968**	61,967
	06/04/10	06/04/13	–	**57,203**	281,952
	05/05/10	05/05/13	–	**23,024**	22,305
	12/04/11	12/04/14	–	**227,788**	3,355,824
	06/05/11	06/05/14	–	**65,338**	492,244
	25/04/12	25/04/15	–	**3,537,608**	3,865,650
	11/04/13	11/04/16	–	**1,742,097**	1,863,737
	23/04/14	23/04/17	–	**1,304,512**	–
				6,967,538	9,943,679
Restricted Awards	21/02/11	01/06/14	–	**–**	4,557
(granted under the Kingfisher Incentive Share Scheme)	21/02/11	01/06/15	–	**1,709**	1,709
	03/01/12	31/05/14	–	**–**	10,300
	16/10/12	16/01/14	–	**–**	5,975
	22/10/13	22/10/14	–	**32,834**	32,834
	23/04/14	23/04/17	–	**65,875**	–
				100,418	55,375
Kingfisher Performance Share Plan	21/04/08	21/04/12	–	**31,503**	106,417
	01/10/08	01/10/11	–	**–**	89,652
	01/10/08	01/02/12	–	**–**	760,642
	21/04/09	21/04/12	–	**–**	76,490
	30/10/09	21/04/12	–	**2,679**	2,579
	05/05/10	05/05/13	–	**–**	313,741
	21/10/10	21/04/12	–	**–**	12,944
	21/10/10	05/05/13	–	**–**	42,456
	17/06/11	17/06/14	–	**236,928**	7,061,836
	17/06/11	17/06/15	–	**1,843,809**	6,927,122
	21/10/11	17/06/14	–	**11,706**	103,016
	21/10/11	17/06/15	–	**17,831**	103,021
	03/05/12	17/06/14	–	**18,734**	360,056
	03/05/12	17/06/15	–	**106,105**	380,601
	16/10/12	17/06/14	–	**38,031**	526,995
	16/10/12	17/06/15	–	**136,952**	527,002
	25/04/13	17/06/14	–	**3,403**	65,820
	25/04/13	17/06/15	–	**68,123**	65,264
	22/10/13	22/10/16	–	**109,209**	105,069
				2,625,013	17,630,723

16 Share options continued

	Date of grant	Exercisable from	Exercise price £	2014/15 Shares under option number	2013/14 Shares under option number
Kingfisher Incentive Share Plan – Long Term Incentive Awards	03/07/14	02/07/17	–	**4,048,438**	–
	15/09/14	02/07/17	–	**1,512,835**	–
				5,561,273	–
Store Management Incentive Share Scheme	21/04/09	21/04/12	–	**54,000**	88,000
				54,000	88,000
UK, Ireland and International Sharesave	29/10/08	01/12/13	1.09	**–**	631,044
	03/11/09	01/12/14	1.72	**258,241**	1,009,170
	28/10/10	01/12/13	1.87	**–**	235,571
	28/10/10	01/12/15	1.87	**486,271**	536,050
	26/10/11	01/12/14	1.99	**434,541**	2,475,062
	26/10/11	01/12/16	1.99	**425,188**	471,008
	19/10/12	01/12/15	2.17	**1,705,424**	1,978,663
	19/10/12	01/12/17	2.17	**369,048**	419,519
	22/10/13	01/12/16	3.15	**1,532,939**	2,067,578
	22/10/13	01/12/18	3.15	**411,451**	582,182
	21/10/14	01/12/17	2.52	**4,260,475**	–
	21/10/14	01/12/19	2.52	**1,386,037**	–
				11,269,615	10,405,847
Total				**26,577,857**	38,123,624

The Kingfisher Incentive Share Plan ('KISP'), Kingfisher Incentive Share Scheme ('KISS') and Performance Share Plan are described as part of the Directors' Remuneration Report on pages 46 to 75.

Restricted Awards are granted as one-off compensatory awards granted under the rules of the KISS. They are granted as 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.

The Store Manager Incentive Share Scheme contained performance conditions based on store standards, with awards lapsing if not maintained throughout the performance period. These awards did 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 savings under the contract. The option price is the average market price over three days shortly before the invitation to subscribe, discounted by 20%. Options are exercisable within a six month period from the conclusion of a three or five year period. The Irish and International Sharesave plans, which operate along similar lines of the UK Sharesave scheme, include eligible employees in Ireland and certain overseas locations.

The rules of all schemes include provision for the early exercise of options in certain circumstances.

The Employee Share Ownership Plan trust ('ESOP trust')

The ESOP trust is funded by an interest free loan from the Company of £96m (2013/14: £82m) to enable it to acquire shares in Kingfisher plc. The shares are used to satisfy options awarded under the KISP, KISS, Performance Share Plan, Store Management Incentive Share Scheme and International Sharesave schemes.

The ESOP trust's shareholding at 31 January 2015 is 8 million shares (2013/14: 10 million shares) with a nominal value of £1m (2013/14: £2m) and a market value of £27m (2013/14: £37m). Dividends on these shares were waived for the interim and final dividends.

17 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:

	2014/15		2013/14	
£ 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)**	**–**	(0.1)	–
Commission and other income	**0.4**	**0.4**	0.6	0.4
Transactions with Kingfisher Pension Scheme				
Provision of administrative services	**1.3**	**0.4**	0.8	0.1

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

Directors' remuneration and details of share option exercises are disclosed in the Directors' Remuneration Report on pages 46 to 75.

Other transactions with the Kingfisher Pension Scheme are detailed in note 11.

Group five year financial summary

£ millions	2010/11[1] 52 weeks	2011/12[1] 52 weeks	2012/13[1][3] 53 weeks[2]	2013/14[1] 52 weeks[2]	2014/15 52 weeks
Income statement					
Sales	10,450	10,831	10,573	11,125	**10,966**
Retail profit	731	849	752	779	**733**
Central costs	(41)	(43)	(42)	(42)	**(40)**
Share of interest and tax of joint ventures and associates	(6)	(6)	(6)	(5)	**(6)**
Operating profit before share of Hornbach post-tax results and exceptional items	684	800	704	732	**687**
Net finance costs before financing fair value remeasurements and exceptional items	(34)	(12)	(3)	(2)	**(12)**
Adjusted pre-tax profit	650	788	701	730	**675**
Share of Hornbach post-tax results	20	19	14	14	**–**
Exceptional items (before tax)	(6)	(12)	(26)	17	**(35)**
Financing fair value remeasurements	7	2	2	(2)	**4**
Profit before taxation	671	797	691	759	**644**
Income tax expense (including exceptional items)	(180)	(158)	(127)	(49)	**(71)**
Profit for the year	491	639	564	710	**573**
Balance sheet					
Goodwill and other intangible assets	2,481	2,520	2,565	2,639	**2,672**
Property, plant and equipment and investment property	3,664	3,722	3,814	3,675	**3,233**
Investments in joint ventures and associates	259	271	289	32	**28**
Assets and liabilities held for sale	–	–	–	208	**79**
Other net current (liabilities)/assets[4]	(576)	(290)	(128)	(19)	**196**
Post-employment benefits	(58)	(15)	–	(100)	**112**
Other net non-current liabilities[4]	(324)	(393)	(422)	(356)	**(410)**
Capital employed	5,446	5,815	6,118	6,079	**5,910**
Equity shareholders' funds	5,452	5,719	6,148	6,308	**6,229**
Non-controlling interests	8	8	8	9	**10**
Net (cash)/debt	(14)	88	(38)	(238)	**(329)**
Capital employed	5,446	5,815	6,118	6,079	**5,910**
Other financial data					
Like-for-like sales growth	(0.9%)	1.3%	(2.9%)	0.7%	**0.5%**
Effective tax rate	29%	28%	27%	26%	**27%**
Basic earnings per share (pence)	21.0	27.5	24.1	30.0	**24.3**
Adjusted basic earnings per share (pence)	19.6	24.2	21.7	22.8	**20.9**
Dividend per share (pence)	7.07	8.84	9.46	9.9	**10.0**
Gross capital expenditure[5]	310	450	316	304	**275**
Number of stores	856	955	1,025	1,124	**1,202**

(1) Adjusted pre-tax profit and adjusted basic earnings per share restated to exclude contribution from Hornbach, following its disposal in 2014/15. There was no contribution from Hornbach in 2014/15.

(2) Like-for-like sales growth in 2012/13 was calculated by comparing 53 weeks against the equivalent 53 weeks of the prior year. Like-for-like sales growth in 2013/14 is calculated by comparing 52 weeks against the equivalent 52 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 in 2012/13 was the inclusion of an additional £72m sales and an immaterial benefit to retail profit.

(3) 2012/13 restated for IAS 19 (revised), 'Employee benefits', resulting in the reclassification of £3m of pension administration costs from net finance costs to retail profit.

(4) Other net current (liabilities)/assets and other net non-current liabilities reported above exclude any components of net (cash)/debt.

(5) Excluding business acquisitions.

Annual General Meeting

The Annual General Meeting of Kingfisher plc will be held on Tuesday, 9 June 2015 at 11.00am at Park Plaza Victoria London, 239 Vauxhall Bridge Road, London SW1V 1EQ.

Financial calendar

The proposed financial calendar for 2015/16 is as follows:

First quarter results	28 May 2015
Pre-close first half trading results	23 July 2015
Interim results to 1 August 2015	15 September 2015
Third quarter results	24 November 2015
Preliminary results to 30 January 2016	March 2016

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 are 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
2014/15	4.44	2.85	14.71	9.07
2013/14	4.20	2.71	9.34	8.40
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

* Based on the daily closing price of Kingfisher plc shares on the London Stock Exchange.

** Based on the daily closing price of Kingfisher plc ADRs in the Over-the-Counter (OTC) market.

Analysis of shareholders and shareholdings as at 31 January 2015

Classification of Holder	Holdings	%	Shares	%
Individuals	20,590	90.00	28,892,783	1.2
Bank or Nominees	2,095	9.16	2,308,373,462	98.23
Investment Trust	20	0.09	54,725	0.00
Insurance Company	8	0.03	120,113	0.01
Other Company	115	0.50	1,335,545	0.06
Pension Trust	1	0.00	2,126	0.00
Other Corporate Body	17	0.07	11,365,037	0.48
Total	**22,846**	**99.85**	**2,350,143,791**	**99.98**

Size of holding	Share-holders	%	Shares	%
0-500	10,522	46.06	2,068,861	0.09
501-1,000	4,139	18.12	3,058,695	0.13
1,001-5,000	6,004	26.28	13,091,499	0.56
5,001-10,000	878	3.84	6,242,587	0.27
10,001-100,000	713	3.12	20,847,880	0.89
100,001-500,000	267	1.17	66,041,575	2.81
500,001-999,999,999	323	1.41	2,238,792,694	95.27
Total	**22,846**	**100.00**	**2,350,143,791**	**100.00**

Dividend

The interim dividend for the financial year ended 31 January 2015 of 3.15p per share was paid on 14 November 2014. The table below provides the payment information for the final dividend of 6.85p per share, subject to shareholder approval at the Annual General Meeting on 9 June 2015:

Ex-dividend date	14 May 2015
Record date	15 May 2015
Final date for return of DRIP mandate forms/currency elections	22 May 2015
Euro exchange rate notification	26 May 2015
Payment date and DRIP purchase	15 June 2015

Payment methods

Shareholders can elect to receive their dividends in a number of ways:

- **Cheque:** Dividends will automatically be paid to shareholders by cheque, which will be sent by post to the shareholder's registered address;
- **BACS:** 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 additional 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 about Kingfisher's 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 rules of the Kingfisher Incentive Share plans and 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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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.

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.

Glossary

Adjusted measures are before exceptional items, financing fair value remeasurements, amortisation of acquisition intangibles, related tax items and tax on prior year items including the impact of rate changes on deferred tax. 2013/14 comparatives have been restated to exclude the share of Hornbach results. A reconciliation to statutory amounts is set out in the Financial Review on pages 18 to 25.

Banque de France data includes relocated and extended stores. http://webstat.banque-france.fr/en/browse.do?node=5384326

Chinese property market – new property market transactions sales down 11% for the 12 months to December 2014 for the 17 cities in which B&Q China operates, according to the China Real Estate Exchange.

Reduce existing product tail – plan to reduce the number of delisted and ex-promotional ranges which do not form part of existing retail planograms.

EBITDA (earnings before interest, tax, depreciation and amortisation) is calculated as retail profit less central costs and before depreciation and amortisation.

EBITDAR (earnings before interest, tax, depreciation, amortisation and property operating lease rentals) is calculated as retail profit less central costs, before depreciation and amortisation and property operating lease rentals.

Europe+ consists of Europe and its bordering countries (e.g. Russia, Turkey).

France consists of Castorama France and Brico Dépôt France.

Free cash flow represents cash generated from operations less the amount spent on tax, interest and capital expenditure during the year (excluding business acquisitions and disposals). A reconciliation from operating profit (before exceptional items) is set out in the Financial Review on page 22.

French house building market – new housing starts and planning consent data for the 12 months to January 2015 according to the Ministry of Housing. http://www.statistiques.developpement-durable.gouv.fr/logement-construction/s/construction-logements.html

FFVR (financing fair value remeasurements) 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.

KEP (Kingfisher Economic Profit) represents earnings after a charge for the annual cost of capital employed in the business and is derived from the concept of Economic Value Added. Management is focused on KEP as a main measure of return on capital. It is used in the capital investment process to assess performance and drive returns in strategic plans. Earnings are defined as adjusted post-tax profit, excluding interest, property lease costs and exceptional items. A charge is then deducted by applying the weighted average cost of capital (WACC) to capital employed. For the purposes of consistency both WACC and capital employed are lease adjusted and adjusted for exceptional items. Leases are capitalised based on an estimate of their long-term property yields. In order to focus on controllable factors both WACC and long-term property yields are based on those in place when KEP was introduced.

LFL stands for like-for-like sales growth representing the constant currency, year on year sales growth for stores that have been open for more than a year.

MTN – Medium Term Note.

Net cash comprises borrowings and financing derivatives (excluding accrued interest), less cash and cash equivalents and short-term deposits. It excludes balances classified as assets and liabilities held for sale.

New country development consists of Germany, Portugal and Romania.

Omnichannel – allowing customers to shop with us in any way they prefer.

Other International consists of China, Germany, Poland, Portugal, Romania, Russia, Spain and Turkey (Koçtaş JV).

Planogram – a diagram that shows how and where specific retail products should be placed on retail shelves or displays.

Retail profit is operating profit stated before central costs, exceptional items, amortisation of acquisition intangibles and the Group's share of interest and tax of JVs and associates. 2013/14 comparatives have been restated to exclude the share of Hornbach operating profit.

Right-size refers to the space optimisation programme of B&Q's property estate (covering downsizing, relocations and closures).

Sales – Group sales exclude Joint Venture (Koçtaş JV) sales.

Smaller tradesman market – Kingfisher estimate for the UK smaller tradesman market is a weighted average incorporating 70% trade (using the most recent public data available for the big trade merchants as a proxy) and 30% DIY (using the UK RMI (Repairs, Maintenance & Improvement) GfK large chain (shed) data).

UK home improvement leader market – 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. Kingfisher data is submitted on a cash sales basis and is adjusted for discounts.

UK & Ireland consists of B&Q in the UK & Ireland and Screwfix.

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Kingfisher is included in two socially responsible indices, the FTSE4Good and Dow Jones Sustainability Indexes. Kingfisher also retained Business in the Community's Corporate Responsibility Index Platinum Big Tick.

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HOMES,
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