2021/22 annual report & accounts

Highlights

A year of record revenue and profits

Gaining market share in the UK and France

Effective management of product availability, supply chain and inflation pressures

Delivering against strategic priorities ahead of schedule

Accelerating investments for growth – digital, trade proposition, Screwfix and Poland expansion

Ambitious new target set for sales of sustainable home products

Returning over £550m to shareholders, including dividends and ongoing £300m share buyback programme

New trends in home improvement and continued strategy delivery supporting long-term growth

Visit www.kingfisher.com

Powered by Kingfisher: strategic progress

E-commerce

Accelerated use of store assets for faster click & collect (C&C) and last-mile delivery, including launching one-hour delivery with Screwfix Sprint; new scalable e-commerce marketplace model launched (at B&Q initially) to enhance choice for customers

Compact stores and rightsizing

Continuing to test new compact stores and partnership models; announcing 10-year rightsizing target of up to 40 stores in UK and France

Responsible Business

On track to deliver new carbon reduction targets to FY 25/26 (consistent with a 1.5°C trajectory); ambitious new target for growth of Sustainable Home Product sales

Own exclusive brands (OEB)

Strong performance in outdoor, building, tools and kitchens categories; innovating through developing specific OEB for different retail banners and extending ranges to support choice; 32 new and redeveloped OEB brands now being implemented

Trade proposition

Expansion of Screwfix in the UK & Ireland and launch of Screwfix in France; successful relaunch of TradePoint (in B&Q) with 2-year LFL[1] sales growth of 33%, outperforming core B&Q; all banners have launched actions to grow trade customer penetration

Mobile-led and service innovations

New mobile apps for Castorama France and Screwfix; self-checkout terminals rolled out to one third of B&Q estate; new 3D kitchen and bathroom design tool; roll-out of NeedHelp services marketplace in key markets

Costs and inventory

Multi-year cost reduction programmes mitigating against inflation pressures; improved stock days and availability, ready for peak trading periods

1. Alternative Performance Measure (APM). See the Glossary on pages 190-192 for definitions and reconciliations of APMs.

Financial highlights and key performance indicators (KPIs)

For the year ended 31 January 2022

Sales

£13,183m
+6.8%

+9.9%[1]
LFL[2]

Gross profit / margin[2]

£4,935m
+7.9%

37.4%
+30bps

Retail profit[2] / margin[2]

£1,148m
+14.5%

8.7%
+60bps

Adjusted pre-tax profit[2] / margin

£949m
+20.9%

+7.2%
+80bps

Statutory profit – pre-tax and post-tax

Pre-tax
£1,007m
+33.1%

Post-tax
£843m
2020/21: £592m

Basic earnings per share (EPS) – adjusted and statutory

Adjusted[2]
35.2p
+22.6%

Statutory
40.3p
2020/21: 28.1p

Total dividend[3]

12.40p
+50.3%
2020/21: 8.25p

Free cash flow[3]

£385m
2020/21: £938m

Net (decrease) / increase in cash

£(237)m
2020/21: £881m

Net debt[2]

£(1,572)m
2020/21: £(1,394)m

Net debt[2] to EBITDA[2]

1.0x
2020/21: 0.9x

Notes

1. Variance in constant currency
2. Alternative performance measure (APM). See the Glossary on pages 190-192 for definitions and reconciliations of APMs.
3. The Board has proposed a total dividend per share of 12.40p in respect of FY 21/22, comprising an interim dividend of 3.80p in respect of the six months ended 31 July 2021 (FY 20/21 interim dividend: 2.75p) and a final dividend of 8.60p (FY 20/21 final dividend: 5.50p).

Evaluation of KPIs against our strategy can be found in the Financial review on pages 34-41

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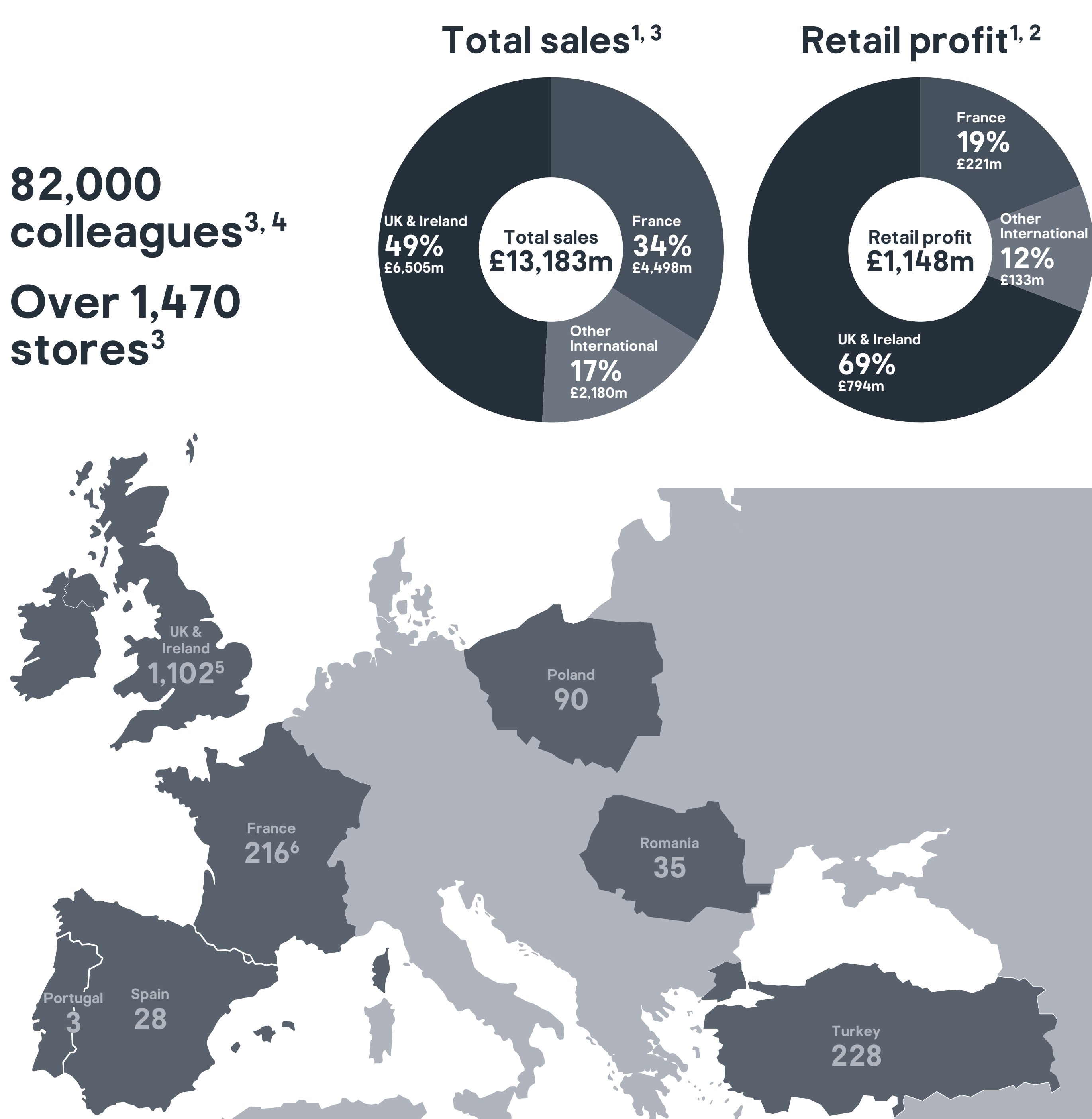
Kingfisher at a glance

Kingfisher plc is an international home improvement company with over 1,470 stores in eight countries across Europe. We operate under retail banners including B&Q, Castorama, Brico Dépôt, Screwfix, TradePoint and Koçtaş, supported by a team of 82,000 colleagues.

We offer home improvement products and services to consumers and trade professionals who shop in our stores and via our e-commerce channels.

At Kingfisher, we believe a better world starts with better homes. We help make better homes accessible for everyone.



Map figures relate to total store numbers in each country.

All figures on this page relate to the year ended 31 January 2022.

1. Financial Key Performance Indicator (KPI). For prior year comparison, see the Financial Review on pages 34-41.
2. Alternative Performance Measure (APM). See the Glossary on pages 190-192 for definitions and reconciliations of APMs.
3. Turkey joint venture not included.
4. Total, not full-time equivalent.
5. B&Q UK & Ireland 312. Screwfix UK & Ireland 790.
6. Castorama 93. Brico Dépôt 123.

Chair's statement

Our business performed extremely well during the year despite a difficult backdrop and the many challenges thrown at it by the continuing pandemic. Under the excellent leadership of our Chief Executive, Thierry Garnier, Kingfisher is developing into a much stronger business and an encouraging pattern of financial and strategic delivery is evident. Operational issues that were holding back progress in our major markets have been largely fixed, our digital capability has been transformed and our management structures successfully realigned. Externally we have seen new trends emerge in society which we firmly believe will provide positive momentum to the sector over both the near future and long term. These trends include the number of people now working from home, the arrival of a new cohort of younger 'DIYers' in the market who may have tried their hand at home improvement during lockdown for the first time and were immediately converted and the growing interest from people, everywhere, in making their homes 'greener'. Our purpose at Kingfisher is 'to make better homes accessible to everyone' and this mission could not be more relevant.

Two years ago, we launched our new strategy, 'Powered by Kingfisher'. This strategy seeks to make the most of the Group's considerable scale and the advantaged market positions occupied by our various banners. I am delighted to report a year of good progress across all our major strategic priorities. New compact store formats were tested in the UK, France and Poland, and the early learnings are proving extremely valuable. In e-commerce, Screwfix launched a one hour delivery service. More recently, we launched our first online product marketplace, via B&Q's powerful digital platform. This initiative significantly increases the range of products we can offer our customers, including for the first time, products from third party providers.

Our financial performance in FY 2021/22 was strong, with the company delivering the best results in its 40-year history. We saw growth across all our banners and across all product categories. In a year of noteworthy performances, B&Q was the standout with sales passing £4bn in the year. Screwfix opened 70 new stores, a new record, and the performance of our French business was significantly better. Adjusted pre-tax profits for the Group increased by 20.9% to £949m, with statutory pre-tax profit up 33.1% to £1.01bn. Based on these results the Board is proposing a total dividend of 12.40p per share, up 50.3%. Taken together with the ongoing share buyback programme, this will mean the Group returning over £550m to shareholders.

Kingfisher has a proud record in responsible business practices, and we remain committed to leading the industry in this area, seeking to continually increase the positive impact we can make on the lives of our customers and colleagues, communities, and planet. Given the nature of what we do and with an expanding range of sustainable products on offer, we are well placed to support government initiatives and help households take action to increase energy efficiency in the home. Our ESG commitments and progress are discussed in detail on pages 23 to 29, including new carbon reduction targets and our plans to be 'forest positive' by 2025.

Good governance of the Group remains a major priority. The Board values dialogue with our key stakeholders and remains fully alive to our differing obligations to these groups. We have respected relationships with our major investors and will continue to be available to them and work closely with them on any important new agendas. The company's section 172 statement is set out on page 54 and details of stakeholder engagement are to be found on pages 62 to 67. Details regarding consultation on our proposed new remuneration policy are set out on pages 79 to 88.

Our Nomination Committee report is to be found on pages 68 to 69 and in this, the process for selecting new directors is discussed. This includes the Committee's role in succession planning and considerations around diversity for the Board and senior management. Tony Buffin resigned from the Board as a non-executive director in October 2021, and we thank him for his valuable contribution during his time with us.

The year ahead will be another exciting one for the Group as we accelerate progress on the development of the product range, improve fulfilment speed further and build momentum behind the roll out of Screwfix in France. We have plans to drive harder with our Pro/Trade business and will look for more opportunities to test and launch new compact stores and partnership models.

We are closely monitoring the situation in Ukraine, though the direct risk to our operations and sourcing is low. Our thoughts are with all those affected.

While the economic outlook remains uncertain, with rising interest rates and other cost of living increases placing new pressures on our customers, we are confident that the changes we have made to the business over the last two years will stand us in good stead. In addition, we have an outstanding leadership group in place and a wider team of colleagues who continue to consistently demonstrate their commitment and resilience while providing the very best service to our customers. With them behind us, we can be very confident in our prospects, and I would like to thank them for everything they do for this company.

Andrew Cosslett
Chair of the Board

21 March 2022

Chief Executive Officer's statement

It has been another extraordinary year in so many ways, and I would like to start by thanking all Kingfisher colleagues for the work the teams have done and what they have helped the business achieve. We have faced the continued challenge of the Covid pandemic and, more recently, the crisis in Ukraine. We are all very proud of our teams' resilience in such difficult circumstances.

As we prepare this Annual Report and Accounts, our thoughts are with all people impacted by the war in Ukraine. Our teams across the Group are working to provide support. We decided early on to stop selling the limited number of products directly sourced from Russian and Belarussian suppliers, and we will continue to look for more ways to help - through our stores' teams in Poland and in Romania, as well as through direct donations.

Kingfisher has delivered a record performance in FY 21/22. We saw growth in all banners and categories, with resilient demand from both DIY and DIFM/trade segments – each representing 50% of Group sales. We continue to leverage our stores' assets and Group technology to drive forward our e-commerce proposition, with faster click & collect and home delivery, and broader product choices for our customers. 18% of our sales are now made online, which is 10 percentage points higher than two years ago. B&Q had an outstanding year, with sales passing £4bn. It was also a record year of expansion for Screwfix, with 70 new stores opened in the UK and Ireland, and Screwfix France showing very promising early progress.

We are now over two years into our new 'Powered by Kingfisher' strategy and execution is ahead of schedule. In e-commerce, we accelerated the use of our store assets for faster click & collect and last-mile delivery, including launching one-hour delivery with Screwfix Sprint and the launch of a new scalable e-commerce marketplace model - at B&Q initially - to enhance choice for customers.

Our own exclusive brands (OEB) saw a strong performance in outdoor, building, tools and kitchen categories. Our OEB sales were up 10% on the year on an LFL basis, and up 19% over two years, slightly outperforming non-OEB ranges. Total OEB sales were £5.9bn and accounted for 45% of Group sales. We are also innovating through the development of specific own brands for different retail banners and are extending ranges to support choice. In addition, 32 new and redeveloped private label brands are now being implemented

During the year we developed new mobile apps for Castorama France and Screwfix, and rolled out self-checkout terminals to a third of the B&Q estate. In services, our new Group-designed 3D kitchen and bathroom design tools were launched at B&Q and the NeedHelp services marketplace was rolled out in the UK and Poland.

We continued to test new compact stores and partnership models, and have announced a 10-year rightsizing target of up to 40 stores in the UK and France. We have seen strong results from our rightsizing tests to date.

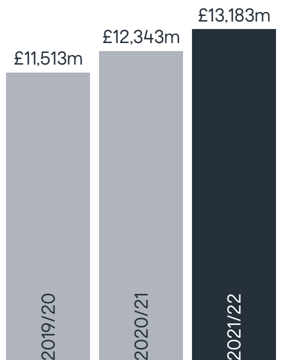
In the trade market, we have continued the expansion of Screwfix in the UK & Ireland, and are working towards the launch of Screwfix stores in France. The relaunch of TradePoint at B&Q has been successful, with 2-year LFL sales growth of 33%, outperforming the core B&Q business. All banners have also launched actions to grow trade customer penetration.

Being a responsible business remains a central priority for us. On the topic of climate change, we are on track to deliver our improved carbon reduction targets to FY 25/26 (consistent with a 1.5°C trajectory and validated by the Science Based Targets initiative) and have announced ambitious new targets for growth of Sustainable Home Product sales. In parallel, we maintained our strong focus on talent recruitment & retention, colleague engagement and inclusion.

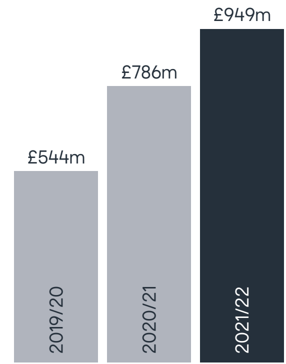
Finally, as announced previously, multi-year cost reduction programmes are in place to mitigate against inflation pressures. We have also improved stock days and availability, ready for peak trading periods.

In the first quarter of the current year, LFL sales (to 19 March 2022) are down by 8.1%, reflecting very strong comparatives in the prior year. The corresponding 2-year LFL is up 16.0%. This performance indicates, in these early weeks of the year, a very healthy retention of the demand and revenue uplift from the prior two years. Trading in all banners is encouraging, including in Poland and Romania which have traded strongly in the most recent weeks.

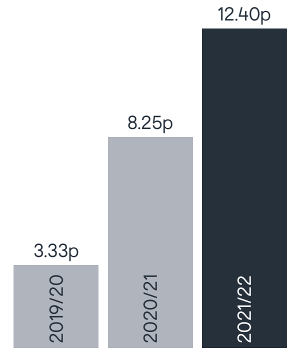
Total sales



Adjusted pre-tax profit



Total dividend



We have built a good inventory position ahead of peak trading periods over the upcoming warmer weather months. Furthermore, our 'big-ticket' ranges are in strong demand to date, with the current showroom order book for B&Q and Castorama France 72% higher versus the same point last year (up 79% on a 2-year basis).

We have had an encouraging start to the first quarter, with resilient demand across all our markets. We are, however, very mindful of the heightened macroeconomic and geopolitical uncertainty that has emerged since the start of the year. Looking ahead to this year, our priority remains top line growth, and strong and consistent execution. We are targeting further market share gains in our markets, and are accelerating our investments for growth through the launch of our scalable e-commerce marketplace, the expansion of Screwfix in the UK and France, new store openings in Poland, and our plans to increase trade customer penetration.

We are committed to continue managing our gross margin effectively in an inflationary environment, as we did successfully last year. Furthermore, we will remain active and responsive in our approach to managing our operating cost base. In addition to benefiting from ongoing cost reduction initiatives, our retail banners can rapidly flex their cost base in the face of changing demand, as evidenced during the Covid pandemic.

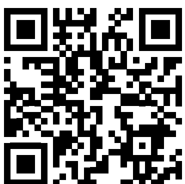
As a result of the above, we are comfortable with the current consensus of sell-side analyst estimates for FY 22/23 adjusted pre-tax profit. Additional financial guidance is provided on page 17.

The Covid crisis has established longer-term trends that are clearly supportive for our industry – including the renewed importance of the home, more working from home, and the development of a new generation of DIY'ers. We expect these broad trends to endure. With our strategic progress and accelerated investments for growth, we are well positioned to capitalise on these positive, long-term market trends and are confident of continued outperformance of our markets.

Once again I would like to thank all our 82,000 colleagues for all their hard work and support during what has been a challenging year, but one of significant progress for this business.

Thierry Garnier
Chief Executive Officer

To hear more about our results from Thierry Garnier, follow this link: www.kingfisher.com/fullyearvideo



Group update

(including 'Powered by Kingfisher' strategic plan)

In June 2020, we announced our strategic plan – **'Powered by Kingfisher'**. This plan aims to maximise the benefits of combining our **distinct retail banners** (which serve a range of different customer needs) with the **scale, strength and expertise of the Kingfisher Group,** so we can address the significant growth opportunities we see in the home improvement market. To serve our customers effectively, we need to be more focused on digital and on customer services, provide more choice and make the most of our strong store assets, to give customers a quick and convenient experience.

Overview

This section explains how we are managing the industry-wide challenges around product availability, supply chain and cost inflation. It also provides an update on the delivery of our 'Powered by Kingfisher' strategy, as well as industry growth drivers and our financial and capital allocation priorities. An update is also provided on our response to the crisis in Ukraine.

The update is organised into the following key topics:

1. Update on the Ukraine crisis
2. Effective management of product availability, supply chain and inflation pressures
3. France – final phase of 'fixes'
4. Delivering against 'Powered by Kingfisher' strategic priorities ahead of schedule
5. Industry trends offer us opportunities
6. Clear financial priorities and capital allocation framework

1. Update on the Ukraine crisis

Everyone at Kingfisher is shocked and deeply concerned by the events that have unfolded in Ukraine over the last month. Our thoughts are with the people in Ukraine and in Eastern Europe impacted by the conflict. Since the start of the crisis, we immediately offered our aid for Ukrainian refugees, with all retail banners across the Group working extensively with charities such as the International Red Cross and UNHCR, the UN refugee agency, who are supporting relief efforts. Brico Dépôt Romania is fundraising and donating essential items, while Castorama Poland has been fundraising and supporting colleagues from local stores to volunteer in helping refugees at the border. Kingfisher has also made donations on behalf of the Group, and we are matching further donations from colleagues. We are doing everything we can to support the victims, as part of an international effort, and we stand ready to help further.

With regards to business impact, we have no direct exposure. In September 2020 Kingfisher completed the sale of Castorama Russia to Maxidom, a Russian home improvement company. We have no more operations in the country, nor do we provide sourcing to Maxidom. We have not seen disruption to our supply chain to date.

On 1 March, we took the decision to stop selling the limited number of products directly sourced from Russian and Belarusian suppliers across the Group, and those products have been removed from our shelves. With regards to indirect supply, we are engaging with our suppliers to ensure materials or components are no longer sourced from Russia or Belarus.

2. Effective management of product availability, supply chain and inflation pressures

As highlighted since 2020, and in common with other companies, we have been faced with pressures on product supply and availability, shipping and logistics, and increases in cost price inflation ('CPI'). To date we have managed these challenges effectively, with our agile retail banners clearly benefitting from the Group's scale and expertise.

Supply, availability and logistics
We are pleased that, to date, we have been able to manage our supply and logistics needs effectively, which is testament to the strength and expertise of our supply, sourcing and logistics teams. We have achieved this by working closely with suppliers and logistics providers, improving our forecasting, and placing orders significantly ahead of peak trading periods and important global events, such as the Chinese New Year (which was earlier than usual this year, at the end of January 2022). We have also benefited from our careful management of shipping container costs and availability, and our successful navigation through shortages of heavy goods vehicles (HGV) drivers.

The key product availability risks have been driven by polarised demand within some of our categories, in particular building materials and outdoor ranges. This has made it challenging for suppliers to keep up with high order levels, while managing extended lead times for their raw materials. More positively, the impact of Covid-related closures and worker absences on their production capacities has been relatively limited in FY 21/22.

We have focused with our suppliers on protecting our 'best seller' ranges. These have seen improved availability during FY 21/22. Overall product availability is still below 'normal', but we have built up inventory levels in all key categories to put us in a good position ahead of peak trading periods in H1 22/23.

High demand, port congestion and network disruptions have placed a considerable strain, industry-wide, on global supply chains. In particular, the cost and availability of shipping containers remains a constant challenge. While we are no longer at peak levels, we expect these pressures to continue throughout 2022.

For further details please refer to *'Source and buy better, reduce costs and same-store inventory'* on page 12.

Inflation
In line with the industry, we are seeing higher than normal CPI, caused by rising prices for some raw materials, energy, wage increases and higher freight costs (as discussed above).

In H1 21/22, the net impact of these inflationary pressures was limited, largely due to our timely engagement with our suppliers and partners, and the time lag between ordering products and their subsequent sale. As expected, CPI had a greater impact on us in H2 21/22, as we sold more higher-cost inventory. Our scale means we benefit from relatively favourable supplier prices and terms and better shipping container availability. Customers also have access to lower-price products via our own exclusive brand (OEB) ranges (representing 45% of Group sales). We are committed to remaining competitive on price across all our retail banners.

While most raw material prices are below their recent peaks, we expect inflationary pressures to persist in 2022 and we expect to continue to manage them effectively. Favourable movements in our YoY foreign exchange hedging positions will offset some of the increases. Around 20% of our cost of goods sold (COGS) is directly sourced in USD, and we maintain hedging contracts for periods up to 18 months, with over 90% of our forecast USD exposure in FY 22/23 already locked in.

Colleagues
We are thankful that, to date, we have not experienced any significant recruitment or retention issues or colleague absence, due to Covid. Our colleagues have been flexible and, where needed, have temporarily assisted neighbouring stores where they can. For more details on the welfare of our colleagues, please refer to *'Lead the industry in Responsible Business practices'* on page 13.

3. France – final phase of 'fixes'

The Group's strategic progress over the last two years has benefited from some of the capabilities that were developed in the period before that. These include Group sourcing and buying, developing our own exclusive brands and our investment in a common SAP platform. However, we were also faced with many unresolved issues from previous years.

As part of our 'Powered by Kingfisher' plan, we set out our 'focus and fix' priorities to address these issues. We made rapid progress in FY 21/22, completing all the 'fixes' in the UK and Poland in the first half, and we are on track to complete 'fixes' in France this year.

These actions have significantly improved our trading, both in store and online. They also allowed us to respond to the pandemic quickly and flexibly, while supporting the roll-out of our new strategy.

In the H1 21/22 results announcement, we included a detailed description of our progress and the 'fixes' we have completed since we launched the 'Powered by Kingfisher' strategy. This background has not been repeated here and can be found on pages 9 to 11 of Part 1 of the H1 21/22 results announcement.

Set out below is our progress with the France 'fixes' since the H1 21/22 results, and the further work required:
- We progressed the roll-out of Brico Dépôt's updated SAP platform without disruption, and expect to complete it before the end of FY 22/23.
- We continued the fundamental reorganisation of our logistics operations in France, with the aim of creating an optimised network for Castorama and Brico Dépôt. Work is ongoing to optimise distribution centre space and transform cross-dock sites, with significant progress in H2 21/22. We have now reduced distribution centre space by c.19% over the last 18 months. We expect to complete this programme in H2 22/23.
  - Note: cross-docking is a practice in logistics of moving product from a manufacturer through a cross-dock facility to stores, with little or no storage in between.
- This programme will significantly reduce the travel distance required to service our stores, leading to shorter lead-times, better customer service, lower inventory, and a reduction of greenhouse gas emissions. This has already started contributing to inventory efficiencies in France, having achieved a reduction in net stock days of 9% (13 days) in FY 21/22 vs FY 19/20.
- We are making good progress with extending and improving Castorama's ranges, by introducing more local and international brands, in particular higher price-point products, and by launching new OEBs. We added more than 1,300 SKUs over the last six months, bringing the total added over the last two years to more than 7,300. We expect to complete our work on Castorama's store range in six months' time.
- Brico Dépôt, one of our industry's leading discounter banners, is also moving forward with its range optimisation to increase its differentiation from Castorama and other general DIY peers. This is being done by improving the banner's already price-leading proposition, reducing some non-core ranges and introducing discount OEB brands (such as the Evalux paint discount brand) and more local trade brands. Optimising SKUs will give us more volume and pricing power for key products, reinforcing Brico Dépôt's 'discounter DNA'.
- Our price positioning is very competitive, with both banners in France improving their price index since February 2021. While we do not anticipate requiring any further significant investment in price in the year ahead, the DNA of a discounter like Brico Dépôt is to continuously reduce its cost to sales ratio, improve its sales density, and reinvest part of this efficiency into price positioning.
- We made key additional hires in France, including in supply chain, digital and technology.
- Following his success in leading Brico Dépôt's growth in France, Pascal Gil will become the new CEO of Castorama Poland from 4 April 2022. Laurent Vittoz has moved from leading our Group Sourcing team to replace Pascal as the Managing Director of Brico Dépôt France from 15 March, reporting to the CEO of France, Alain Rabec.

The actions described above have contributed significantly to the improved performance in France, with FY 21/22 LFL sales up 9.3%, and up 14.8% on a 2-year basis. France's retail profit margin improved 70 basis points to 4.9% (FY 20/21: 4.2%), with its retail profit increasing more than 20%.

Since we implemented the first 'fixes' in FY 20/21, customers have reacted positively to our renewed focus on customer propositions. As a result, the Net Promoter Scores (NPS) have improved in both French banners. The store NPS for both Castorama and Brico Dépôt France has improved over the past two years, with a total increase of +9 and +8 points respectively. Significant progress has also been made online, with castorama.fr showing a +6 point increase versus FY 19/20, and bricodepot.fr showing a +5 point improvement.

We are also seeing improvements in our competitive position, following years of underperformance. Based on Banque de France data, France's H2 21/22 LFL sales grew one percentage point ahead of the market YoY. Our priority is to continue taking market share.

4. Delivering against 'Powered by Kingfisher' strategic priorities ahead of schedule

Under our strategic plan, 'Powered by Kingfisher', we aim to maximise the benefits of our distinct retail banners with the combined scale, strength and expertise of the Kingfisher Group, thereby addressing the significant growth opportunities that exist within the home improvement market.

Our retail banners occupy number one or two positions in all our key home improvement markets. Some are predominantly trade focused (Screwfix, TradePoint), while others address more general DIY needs (B&Q, Castorama France, Castorama Poland, Brico Dépôt Romania, Koçtaş), and Brico Dépôt France and Brico Dépôt Iberia are discounters. This differentiation is a major strength for us, especially in a more volatile and uncertain world.

Kingfisher's scale and resources are an important source of growth and competitive advantage for our banners. They benefit from Group-wide OEB product development, sourcing and buying scale, leading technologies, customer and market data insight and analysis, shared services and best practices, and cost and inventory management support.

We are pleased with our strong financial performance this year, which builds on our performance in the prior year and demonstrates solid delivery since we launched the new strategy. Our strategic progress to date has resulted in strong new customer growth and retention, particularly online, which is contributing to market share gains in our key markets. Having made strong progress with our strategic objectives this year, putting us ahead of schedule, we can now accelerate our investments for growth in many areas of the business.

The following sub-section covers the progress made this year against our key strategic focus areas:

a. Grow e-commerce sales
b. Differentiate and grow through own exclusive brands (OEB)
c. Build a mobile-first and service orientated customer experience
d. Test compact store concepts and adapt our store footprint
e. Expand engagement with trade customers
f. Source and buy better, reduce costs and same-store inventory
g. Lead the industry in Responsible Business practices

a. Grow e-commerce sales
We are committed to growing our e-commerce sales by offering speed, convenience and choice to our customers.

During the pandemic, we have seen rapid change in consumers' shopping habits and preferences. We have been equally quick to adapt to these changes, accelerating our planned e-commerce initiatives to offer our customers more convenience, broader product choice and faster fulfilment of orders, powered by our store assets.

E-commerce sales in constant currency were up 5.3%, and up 171% on a 2-year basis (excluding Screwfix: up 22.0% YoY, and up 192% on a 2-year basis). Our e-commerce sales grew to £2.4bn in FY 21/22, and we maintained a high e-commerce sales penetration of 18% (FY 20/21: 18%; FY 19/20: 8%). Excluding Screwfix, e-commerce sales penetration remained at 7% (FY 20/21: 7%; FY 19/20: 3%). A newly published KPI of ours, digitally-enabled sales at c.26%, highlights that more than a quarter of Group sales is from e-commerce channels and online orders in store, delivered through C&C or to customer homes. This is flat YoY and up significantly from FY 19/20, and we expect the penetration to grow over time.

Sales from our most popular online fulfilment channel, click & collect (C&C), were down 2.4% YoY and grew by 217% on a 2-year basis. This was a strong performance considering the sharp rise in e-commerce sales following the onset of the pandemic in 2020. The preference for C&C has held up even as trading restrictions have lifted, accounting for 87% of Group e-commerce orders (FY 20/21: 90%) and 73% of Group e-commerce sales (FY 20/21: 78%). To offer customers more ways to collect their orders, we commenced the roll-out of C&C lockers to Castorama Poland stores in FY 21/22 and began testing C&C lockers at some B&Q stores. In addition, we have built car park collection capabilities in France, as well as contactless 'Drive-thru' collections in both France and Poland, for all our medium and large stores. Our step-up in new store rollouts is also increasing C&C options for customers, in particular through our compact store formats, which allow us to expand into city centres.

Moving to store-based picking and fulfilment has been critical to efficiently meeting significant online volumes. In FY 21/22, 91% of the Group's e-commerce orders were picked in store (excluding Screwfix: 89%). We are also leveraging our stores to improve the speed and cost of home deliveries. At present, 54 B&Q stores are being used as 'digital hubs' for fulfilling home deliveries, serving nearly 100% of UK postcodes. We have introduced a similar model at Castorama France and Castorama Poland. We are also currently reorganising our distribution and fulfilment capacity in the UK, with one new site opened at Screwfix in December 2021, and two new B&Q sites opening in FY 22/23. This will enable us to restock stores more quickly, offer a wider product range for home deliveries, and make home deliveries more quickly.

We believe faster fulfilment is a key competitive advantage for our banners, in particular over online 'pure-play' peers, so we have increased our focus on next-day and same-day home delivery. In August 2021, Screwfix launched Screwfix 'Sprint', offering delivery direct to home or site within one hour. 'Sprint' currently covers over one third of UK postcodes, with further rollout planned in FY 22/23. So far, the average delivery time is around 45 minutes, and our quickest delivery is just eight minutes. Feedback from customers, especially our most loyal trade customers, has been very positive, and we believe this will help us to continue growing our market share. 'Sprint' reinforces Screwfix's focus on speed and convenience for customers, alongside its industry-leading one-minute C&C proposition. We are sharing lessons from the roll-out with other retail banners that are testing same-day delivery, including B&Q.

We have added significant talent in 2021 in the key areas of digital, technology and data, further reinforcing our e-commerce capability and development plans. This is allowing us to better understand our customers and help them all the way through their home improvement journeys, from research and inspiration to installation and after-care. We are accelerating investment in customer data, as an integral part of our plan to identify and retain our most loyal customers and sell more to them. Data science and analytics also present many new opportunities to maximise customer retention and spend, including improving inventory availability and personalisation. Over the last two years, we have seen a significant increase in new and identifiable customers across our banners. In addition, these new customers continue to shop with us, with strong retention rates.

Finally, we believe we can add significant value for customers by offering them more product choice. Using scalable technology built by Kingfisher alongside Mirakl, the leading marketplace platform provider, we launched our first e-commerce marketplace on B&Q's www.diy.com on 10 March 2022. Initially, selected third-party sellers are offering new products in four home improvement categories – wallpaper, lighting, power tools and small domestic appliances, the latter being a new category for B&Q. For this first stage, an additional 100,000 home improvement SKUs will be available within the next six months on the marketplace, expanding B&Q's current offer of c.40,000 products. Further rapid expansion of the number of SKUs is anticipated after that.

Kingfisher is very well placed to benefit from the growing trend of shopping on e-commerce marketplaces. Our retail banners have top one or two market positions; they already have significant online traffic; they are trusted by millions of customers and have strong brands; they are able to leverage their store assets to offer more delivery, pick-up and return options for customers; and they have long-standing and trusted relationships with a growing global supplier base. For example, according to Similarweb data, in 2021 B&Q saw over 300m visits to its website, ranking it 13th out of all UK retail websites including 'pure-plays' such as Amazon and eBay. The strong positions of our banners will result in a relatively low customer acquisition cost, which will help to make the platform highly profitable over time. We will also benefit from the platform's scalable technology, allowing us to deploy it into our other markets relatively quickly and at a lower cost. We look forward to providing further detail on our e-commerce marketplace progress and ambitions at our 'teach-in' for analysts and investors on 5 July 2022.

b. Differentiate and grow through own exclusive brands (OEB)

We believe that our OEB product development is a significant source of value for our retail banners and their customers. OEB provides a strong point of differentiation for our retail banners in terms of design, functionality, sustainability and value for money, as well as carrying a higher gross margin (on average) than branded products. We aim to grow our OEB sales further, as we bring even more innovation to our ranges and differentiation to our banners.

The performance of our OEB ranges in FY 21/22 was strong, with LFL sales up 10.0%, and up 19.0% on a 2-year basis, slightly outperforming non-OEB ranges. Total OEB sales were £5.9bn, representing 45% of Group sales (FY 20/21: 45%). This is particularly impressive when considering our retail banners' renewed focus on offering more choice to customers, including through a wider range of local and international branded products. Kingfisher's top five OEB brands, based on their breadth of differentiated ranges, innovation, and growth potential, are *GoodHome, Verve, Erbauer, Magnusson* and *LAP*. These five OEB brands contribute 18% of total Group sales (FY 20/21: 16%; FY 19/20: 12%).

During the year we introduced several new OEB ranges across our markets. We have a strong pipeline of innovative products to launch over the next two years, with a portfolio of 32 new and redeveloped OEB brands. This new portfolio reflects our focus on leveraging our OEB capabilities to provide differentiated and specialised products for our general home improvement, trade and discounter banners. During the year we launched 16 of these new and redeveloped OEB brands, including Evalux, a specialist paint range at discount prices sold only at Brico Dépôt France. Some of our OEB ranges, such as Magnusson and Titan, are significantly outperforming sales volumes of major branded competitors, which is a testament to the quality of the Group's in-house product design and engineering.

In H1 21/22, we completed the final roll-out of our new OEB kitchen range, which is now available in all key markets and is our largest Group-wide range launch to date. The new kitchen range has received exceptionally strong customer feedback on design, innovation and value for money. In a short space of time, kitchens has become one of our top-performing categories for the Group and a large contributor to our banners' growing market share. The kitchens category achieved double-digit LFL growth for the Group in FY 21/22, despite some periods of Covid-related restrictions in-store. We expect current strong demand to support H1 22/23 LFL sales, with the current showroom order book for B&Q and Castorama France 72% higher versus the same point last year (up 79% on a 2-year basis).

We continue to simplify how we develop OEB, including improved engineering and prioritising reviews of our key ranges, which will enable us to bring new products to market more quickly. In addition, we are exploring ways to increase efficiencies and lower the cost of product development even further. As our franchising partnerships expand, we can generate further synergies by supplying franchise stores with our OEB products (see *'Test compact store concepts and adapt our store footprint'* on page 11).

OEB also gives us a platform to accelerate our Responsible Business goals, with sustainability being a key part of new product development and refreshes. In FY 21/22, 55% of OEB product sales were from sustainable home products. These are products that help our customers live more sustainably (e.g. water-saving taps or loft insulation) and products that are sustainable because of their input materials or how they are manufactured (e.g., FSC timber, peat-free compost, or recycled plastic). Please also refer to *'Lead the industry in Responsible Business practices'* on page 13 for more details on how we are using OEB to drive further sustainable home product growth, including more energy and water-efficient products. We are also looking at ways for our OEB products to play a bigger role in the 'circular economy'. For example, in February 2022 Screwfix launched Refurb by Screwfix, offering customers fully guaranteed and reconditioned OEB products. Castorama France is piloting a similar programme in partnership with Back Market, a leading online marketplace for refurbished products.

Our OEB ranges are designed to sit alongside local and international brands, offering customers differentiation and value for money and catering to the full scope of their home improvement needs. Having depth in our OEB ranges has also contributed to our market share gains, with OEB ranges having higher availability than non-OEB ranges. Looking forward, our plan is to continue delivering solutions for our customers to help simplify their home improvement projects, extend our ranges to offer more choice, and to continue designing OEB specifically to cater for general home improvement, trade or discounter banners. This is expected to support continued profitable sales growth over the longer term.

c. Build a mobile-first and service orientated customer experience

Our customers are using mobile more than ever, from research and inspiration, all the way through to purchase, delivery, building and installation. We believe that mobile will remain the most important way for customers to interact with us. We intend to make it easier for them to shop with us, by being mobile-first, data-led and focused on service. We also aim to provide customers with a more compelling and complete range of services, including visualisation tools and installation services.

Mobile is our largest and fastest growing channel, with sales up by 11.2% in FY 21/22, and by 301% on a 2-year basis, now accounting for 54% of our total e-commerce sales (FY 20/21: 51%).

Across our banners, we are making good progress with optimising the mobile user experience through Group-driven technology and capabilities, which is resulting in faster page loading, enhanced 'search, shop and pay' features, and new mobile tools and apps. In FY 21/22, we launched a new Castorama France app, improved the performance of our B&Q app and upgraded the Screwfix app. The new Screwfix app has around 2m downloads since its launch in February 2021, with strong feedback from its trade customers. Alongside better search capability, the new Screwfix app uses geolocation to speed up in-store pickups, enables targeted customer offers, and includes Screwfix's one-hour delivery proposition, Sprint.

Our app customers are visiting our brands more often, converting better and are more loyal than our desktop website customers. Our ambition for mobile apps is to build app-first or app-only features, investigate the opportunity for more trade-focused apps, and to evolve our apps to effectively become 'digital loyalty cards', enabling better data collection and high customer retention.

Following successful trials, Brico Dépôt Iberia rolled out mobile 'Scan & Go' technology for customers from late 2020, enabling a speedier self-service store checkout process. B&Q is also trialling this service, with the next step being to integrate it into the B&Q mobile app, which will allow the technology to be used in all stores. Similar trials will take place at Castorama France.

We are continuing to modernise the in-store experience and rolled out self-checkout terminals to 110 B&Q stores in FY 21/22. Up to half of in-store transactions in these stores are going through self-checkout terminals, resulting in meaningful efficiency gains. We are also in the early stages of implementing self-checkout terminals in France and Poland.

We aim to make home improvement easier from start to finish. To help our customers pre-purchase, we have made more in-store activities available virtually. For example, in Iberia we have made the expertise of our colleagues available online through 1-2-1 video calls, enabling informed discussions and product demonstrations. In H2 21/22, B&Q launched an online paint mixing service, enabling customers to choose and buy from over 2,000 colours. Following the successful introduction of our Group-developed 3D design tool for kitchens and bathrooms, we extended the technology to enable customers to create 3D designs of storage furniture online. This helps to inspire customers and make it easier for them to choose the right combination from hundreds of products in our Atomia range. In France, we are the first home improvement retailer to offer fully online key cutting via our Castocles service, in partnership with Securkeys. These tools will contribute to our growing penetration of digitally-enabled sales.

In Poland, in-store consumer finance sales are now led by Castorama colleagues, for a more seamless experience. In France, energy efficiency renovations have become even easier and more popular, with Castorama launching dedicated finance products linked to the French government's *MaPrimeRénov* grant programme. Online purchases have also been made more affordable for customers by giving them the option to spread payment over several months, via PayPal in the UK and France. We have also made DIY projects easier to complete through immediate tool and equipment hire in 70 stores across B&Q (31) and Castorama France (39), through partnerships with Speedy Hire and LOXAM, respectively.

For customers looking for some extra help in completing their projects, our kitchen and bathroom installation service has been available throughout B&Q since March 2021 in the UK, and August 2021 in Ireland. The service is growing fast, with positive feedback from customers. Brico Dépôt France also rolled out a kitchen installation offer in partnership with NeedHelp, to provide a seamless handover from in-store quotes to installation, available within seven days. NeedHelp, which Kingfisher acquired in November 2020, is one of Europe's leading home improvement services marketplaces and it is now live throughout the UK, France and Poland, with a 60%

increase in completed jobs versus 2020. In 2022, we will trial an energy-saving service at B&Q to diagnose and fit energy efficiency solutions in customers' homes. This is an area of significant opportunity.

d. Test compact store concepts and adapt our store footprint

Stores are a critical part of the home improvement market. Customers want to be inspired, to be able to visualise what they buy, and to get advice and design services from in-store experts. Stores also serve as a 'one-stop shop' for projects and allow us to provide customised services. Our c.1,470 stores will also play an integral role in meeting the increasing customer demand for convenience and speed, whether through fast C&C or home delivery.

We believe the demand for speed and convenience will continue to drive the shift online in our industry, as well as the need for a wider network of smaller and more localised stores. In response, we continue to increase our overall store count, while reducing the average size of our stores. We are achieving this through a combination of opening more 'compact stores' (less than 2,000 sqm), rebalancing our larger size 'new store' opening programme to mostly focus on 'medium-box' stores (2,000 to 8,000 sqm), and 'rightsizing' a relatively small proportion of our larger format 'big-box' stores (more than 8,000 sqm).

Store rightsizings have attracted a lot of stakeholder interest over the years. Following a rigorous review of our property portfolio and future space requirements, we have identified all 'big-box' stores across the Group where we may have surplus space over the longer term. This is based on our analysis of demand in the local area, store economics, proximity to other stores, and the number of 'digital hub' stores we need to achieve national coverage for home deliveries, as part our e-commerce strategy. We are confident that the UK and France are the only two regions where some of our stores are too large, specifically in B&Q and Castorama France. As a result, we expect that up to 40 'big-box' stores across these two estates combined will require rightsizing over the next 10 years, including the reallocation of space to e-commerce operations and 'dark stores'. This space reduction equates to a relatively small proportion of Kingfisher's store estate, and approximately 3% to 4% of the combined selling space of B&Q and Castorama France. As a result, we expect to be able to carry these out as part of our medium-term capital expenditure guidance (c.3.0% to 3.5% of Group sales), and do not expect it to cause disruption to the store, teams and overall customer experience.

In FY 21/22, we completed three rightsizing trials at B&Q (Canterbury, Watford and Colchester), with a further two recently completed at Castorama France (Gonesse and La Rochelle) in January. The results from the B&Q rightsizings have been positive, with a range of c.15-30% space reductions taken over by discounter retailers, bringing incremental footfall to the vicinity of our stores. Since reopening, the stores have exceeded our performance expectations, with strong sales retention and improved profitability. We plan to complete further 'big-box' rightsizings in the year ahead, including four B&Q stores.

Compact stores are a key enabler for continued market share growth in urban areas. We have made good progress with testing different concepts to unlock this opportunity. In FY 21/22 and to date in FY 22/23, we have opened and trialled 19 new compact stores across the UK, France and Poland, bringing the Group total to 27 now in operation. These new compact stores are located in urban retail parks, high streets and within supermarkets.

Our high street concepts (300-800 sqm) are delivering positive early results, with five new stores opened at B&Q (three) and Castorama France (two). Our trials of B&Q 'grocery concessions' (200-250 sqm) have now been extended from two to eight ASDA stores in the UK, with our latest tests extending into regions outside of London.

In Poland, we are expanding with our urban retail park small-store concepts (800-2,000 sqm), under the 'Castorama Smart' banner. Poland opened two such formats in FY 21/22. This is part of a larger Polish store roll-out strategy, following seven overall new store openings in FY 21/22, and even more stores to follow in FY 22/23, which will reinforce Castorama's number one market position.

Screwfix has applied the key learnings from its London Victoria 'Collect' format store, to open further ultra-compact format stores called the 'XSR format'. The XSR format has been developed to take the core Screwfix range into spaces unable to cater for the full traditional trade offer. In H2 21/22 we opened five XSR stores. In FY 22/23, we have plans to accelerate our compact store tests across the UK, France and Poland.

'Medium-box' stores in our banners tend to be well-located, have good sales densities and are highly profitable. In FY 21/22 we completed the trial conversion of two Castorama France stores into Brico Dépôt France 'medium-box' stores. Results are very encouraging so far with sales densities up significantly, and lower store operating costs. Poland also opened two new 'medium-box' stores this year. All four new stores are performing well, and we have plans to open more over the coming years.

We also believe partnerships can enable Kingfisher to attract new customers and generate incremental revenues. As discussed above, we are testing **store-in-store** B&Q concessions within ASDA supermarkets, and we have also extended our **concession** partnerships with Speedy Hire (tool hire) and Crystal Direct (made-to-measure doors and windows) inside B&Q stores. We are also excited to have opened our first **franchise** store under the B&Q banner in the Middle East in February 2022, with one further store due to open in Q2 22/23. The stores and support office functions are fully operated and staffed by the Al-Futtaim Group (www.alfuttaim.com/).

We are pleased to update that our store programmes and enhanced focus on the estate has resulted in customers awarding us with a significant increase in store NPS in all banners for the second consecutive year.

e. Expand engagement with trade customers

The trade customer is an integral part of the home improvement ecosystem and a key priority for Kingfisher. While we already have strong and growing participation, there are significant opportunities to engage further with the trade customer. This includes continuing to roll-out trade counters, international expansion, digital enhancements, range expansion, loyalty programme optimisation, improved merchandising, more partnerships and new services.

Screwfix, the UK's number one light-trade retailer, continues to expand through its capital-light small format outlets. We are pleased to have opened a record number of stores in FY 21/22, with 70 new outlets (58 in the UK and 12 in Ireland) bringing the total to 790 as of 31 January 2022. In FY 22/23, we are determined to set another new record on store openings targeting over 80 new stores and we remain confident of reaching more than 1,000 stores in the medium term in the UK & Ireland.

As part of our international expansion plans, Screwfix launched as a pure-play online retailer in France in April 2021. Initial results are very encouraging, with very strong web traffic and customer NPS scores for home delivery already on a par with the UK business. We are making good progress with building a new supply chain and expect to open Screwfix's first stores in France in the second half of 2022, with a meaningful step-up in roll-out targeted in 2023. This will position us to start taking share from the large trade segment in France, which has an estimated total market size of over £20bn.

B&Q's trade-focused banner, TradePoint, has made excellent progress with its relaunch strategy. Its LFL sales outperformed the rest of B&Q and Screwfix, growing 20% in FY 21/22, with 2-year LFL sales up 33%. This brings the total size of the business to £834m of sales, representing 20% of B&Q's total sales (FY 20/21: 19%). The renewed focus on TradePoint's loyalty programme, trading approach, trade-specific ranges and enhanced online experience is resulting in increased engagement from existing customers and continued strong momentum for new customer sign-ups. Work is ongoing to further increase the penetration of TradePoint within B&Q and launch the TradePoint proposition in Ireland. Looking forward, we have built a strong plan to drive TradePoint's sales to over £1bn.

More broadly, we believe there is a significant opportunity to increase trade customer penetration across all our other retail banners, benefitting from lessons from Screwfix as well as TradePoint's successful relaunch. During the year, each of our banners has begun to execute on detailed plans to increase trade customer engagement. These include trialling new store layouts and concepts, creating more trade-focused OEB ranges, offering a more user-friendly and integrated digital experience (both app and web), increasing the speed and convenience of order pick-ups, providing relevant services to tradespeople, and developing our loyalty programmes. Over time, we expect increased trade customer penetration to contribute to higher sales and profit growth.

f. Source and buy better, reduce costs and same-store inventory

We have identified significant opportunities to reduce costs across Kingfisher, with efficiency programmes in areas including store productivity, supply and logistics, goods not for resale (GNFR), property (including lease renegotiations), IT and central costs, all of which will benefit from a simpler organisation over time. In addition, through the intelligent use of our scale, we expect to extract further value from sourcing and buying. Reducing same-store inventory levels over the medium and longer term is also a priority.

Costs

The pandemic has deepened our conviction about the opportunity to operate more effectively and efficiently. Early on in the pandemic, in 2020, we took a range of actions to reduce costs, especially during times of store closures and trading restrictions. This provided us with many lessons on how to significantly adjust the cost base during times of volatile sales. Following the progress made in FY 20/21, we have set multiple cost-reduction programmes in motion. While we are not disclosing the expected net savings from our multi-year cost reduction programmes, they are expected to partly offset the cost of inflation, expansion and space changes, and the investment requirements of our business over the next few years.

As mentioned above, the lessons from the pandemic were invaluable. In scenarios where trading is less favourable than anticipated, we have plans in place to react quickly and adjust the cost base accordingly. Cost self-help and efficiency remain a priority for our retail banners and Group teams, with robust governance at Group Executive and Board level. The following areas have contributed to partially offsetting cost growth in FY 21/22:

- Realising benefits from reorganising our commercial operating model (fully implemented at a Group level and across all banners, with France completed in March 2021) and establishing a new banner-Group operating model for our Digital and Technology teams (completed in Q1 21/22).
- Rolling out self-checkout terminals to 110 B&Q stores, with strong take-up from customers. We are also trialling other store productivity initiatives, including 'Scan & Go' at B&Q. For further details please refer to *'Build a mobile-first and service orientated customer experience'* on page 10.
- Optimising stock losses and shrinkage through implementation of targeted best practice measures across all banners.
- Reducing logistics costs in France through reduction of distribution centre space by c.19%, creating an optimised network for Castorama and Brico Dépôt and decreasing transport distances.
- Completing 34 additional B&Q lease renegotiations, with a combined net rent reduction of over 20%, alongside improved lease terms. One third of B&Q's leased store estate is coming up for renewal over the next five years, with a weighted average remaining lease term of seven years.
- Completing five 'big-box' rightsizings at B&Q and Castorama France. Following the completion of our first rightsizing trial in March 2021, B&Q Canterbury has achieved a YoY cost reduction of c.33%, with strong sales retention levels. Further rightsizings are planned at B&Q and Castorama France in FY 22/23. For further details, please refer to *'Test compact store concepts and adapt our store footprint'* on page 11.

– Optimising IT costs, including areas such as IT hosting, telecoms, and other network costs, and preparing the decommissioning of legacy systems; while recognising that IT overall is an area of significant cost investment.
– Implementing ongoing GNFR procurement savings, further supported by sharing knowledge and best practices amongst all retail banners and facilitated by Group 'Centres of Excellence'.
– Expanding our shared services centre in Poland, adding more roles and enhancing Group-wide processes. We expect to be able to build on this capability over time.
– Lowering clearance and disruption levels by significantly reducing the historical level of range reviews, and prioritising critical ranges.

Covid-related costs (including costs of PPE, extra store security and additional bonuses to frontline store colleagues) were £18m in FY 21/22, in line with our expectations, and considerably lower than the prior year (FY 20/21: £45m). These are accounted for in retail profit and not as adjusting items. We expect to continue reducing these costs going forward.

Sourcing and inventory
In sourcing and buying, we continue to deliver cost efficiencies by leveraging our Group scale. Through the use of a value engineering approach, we continue to deliver sourcing benefits on our large OEB product base (45% of Group sales in FY 21/22), which helped to partly mitigate the impact of cost price inflation during the year. We accelerated our sourcing diversification plan by increasing our 'near-sourcing' footprint using dual sourcing. In addition, we are in the process of renewing strategic partnerships with several of our top international brands.

As described in the *'Supply, availability and logistics'* section above, 'best seller' product availability has gradually improved during the year and is currently above where it was at the start of FY 21/22. In addition, we are benefiting from an improvement in our inventory health YoY, due to lower delisted and slow-moving stock. Our initiatives to reduce same-store inventory include better ranging and deployment (with a focus on removing slow-moving inventory), better planning and forecasting, and continued strong levels of product demand. Completing our SAP roll-out and further implementing and optimising our Group digital technology stack will support these initiatives.

Net inventory at the end of FY 21/22 increased by £261m to £2,749m (FY 20/21: £2,488m), driven by the rebuilding of inventory levels (accelerated by an earlier Chinese New Year at the end of January 2022), the impact of inflation and store expansion. This was partially offset by the impact of exchange rate movements. We also had exceptionally low inventory in the prior year, caused by Covid-related delays and strong sales.

Same-store net inventory (in constant currency) increased by £321m (13%). On a 2-year basis the increase in same-store inventory (in constant currency) was £276m (11%), with net stock days 9% (12 days) lower than FY 19/20 (excluding Russia), reflecting our improved inventory management initiatives. Net stock days increased by 1% YoY in FY 21/22, with store openings, inflation and earlier seasonal purchases due to Chinese New Year; partly offset by efficiencies achieved and clearance activity.

Our priority over the last two years has been to secure inventory and improve availability for our customers, amidst unprecedented global supply chain and logistics challenges, as well as to improve the quality of our inventory. As and when a more 'normalised' environment emerges, we believe there are opportunities to unlock further efficiencies in our supply chain and inventory management.

g. Lead the industry in Responsible Business practices
We are committed to leading our industry in responsible business practices. Building on our strong Environmental, Social, and Governance (ESG) credentials, our 'Powered by Kingfisher' strategy sets out four priority areas for Responsible Business, where we can maximise our positive impact on the lives of our customers, colleagues, communities and the planet.

Colleagues
Investing in our people
At the heart of our business are our 82,000 colleagues. As a global business with colleagues in eight countries, we are proud of our cultural diversity and believe this is a strength.

We continue to invest in talent and capability to unlock further growth. As part of our focus on creating new customer propositions, we have recruited in key areas, in particular digital, technology and data. Our new Group operating model is now fully embedded, empowering our banners to address the diverse needs of their customers. We have continued to focus on productivity and head office efficiencies, ensuring we align our resources to our strategic priorities.

We had over 3,800 apprentices across the Group last year, giving opportunities to younger generations to build their skills and careers with us. We also continue to invest in learning and development across the Group, with colleagues investing over 2.2m hours into learning in FY 21/22.

Colleague wellbeing a top priority
As the pandemic has continued, our colleagues have inspired us with their dedication, flexibility, resilience and commitment to our customers. We have continued to ensure our stores, distribution centres and offices are safe places to work and have enabled colleagues to isolate, shield or take time off as necessary, by continuing to pay salaries during Covid-related absences.

Colleague wellbeing is a top priority. We partner with organisations such as The Retail Trust in the UK and Alterhego in France, to provide colleagues and their families with emotional, legal, and financial support.

Making progress on inclusion and diversity, with more to go
Inclusion and diversity play an important part in delivering 'Powered by Kingfisher', as it reinforces our commitment to differentiate our offer to our diverse customer base through our unique banners. Building an inclusive culture is also a core pillar of our Responsible Business priorities (see below).

We have set ourselves stretching targets to increase diversity and this is part of our incentive plan for senior managers. We are on track to meet our goal of 40% women in all management roles by 2025 (currently at 38%), from a base of 35% in 2020. In 2021, we made several diverse appointments into senior leadership roles, although we have more to do. 16 Affinity Networks were launched for colleagues Group-wide, to spearhead our inclusion and diversity efforts, with plans for more activity in 2022.

Group update (including 'Powered by Kingfisher' strategic plan) continued

Launching a new all-colleague share plan
Later this year we will launch a new 1+1 all-colleague share plan, building on the strong take-up of the 1+1 'Sharing In Our Future' plan that we launched in 2020. The plan will give colleagues the opportunity to continue sharing in the success of our growth strategy and promotes inclusivity at all levels. In the FY 20/21 plan, 75% of the nearly 9,000 colleagues who took part were store-based colleagues.

Strong engagement to attract and retain colleagues
To help us build a culture which is agile, trust-based, inclusive and responsive, we introduced a new engagement tool to listen to our people and measure their engagement across the Group. Over 63,500 colleagues (c.80%) took part in our annual colleague engagement survey in June 2021, with a score that positions us in the top quartile for retail.

We also now measure our Employee Net Promoter Score (eNPS), which shows how willing colleagues are to recommend their workplace to family or friends. Despite the challenges of the pandemic, we were pleased that our eNPS was significantly ahead of the benchmark, putting us in the top 10% of global retailers. Furthermore, we ran regular local surveys, which are an important tool to continue listening to our colleagues.

We invested to strengthen our employer brands, to ensure we can attract and retain colleagues in increasingly competitive labour markets, especially at store level. To recognise the contribution of our frontline teams, we invested in store colleague remuneration, including through awarding additional pay increases or bonuses.

Responsible Business priorities
We continue to make strong progress against our four Responsible Business priorities:

Colleagues: Becoming a more inclusive company
- Each of our banners and Group functions has an 'Inclusivity Action Plan', with targets that are linked to incentive plans.
- We have established an Inclusion & Diversity Advisory Forum, to bring together colleague representatives and senior leaders.
- 37.7% of managers and 25.2% of senior leaders are women, an increase on the previous year.
- As detailed above, later this year we will launch a new all-colleague share plan, building on the strong take-up of the 1+1 'Sharing In Our Future' plan that we launched in 2020.

Planet: Helping to tackle climate change and create more forests than we use
- In June 2021 we announced new carbon reduction targets to 2025, consistent with the reductions required to keep global warming to 1.5°C. These have been approved by the Science Based Targets initiative (SBTi) and replace our previous targets.
- We became a founder member of the UN's Race to Zero Breakthroughs – Retail Campaign in July 2021, a partnership aiming to inspire more of the world's retailers to take action on climate change.
- In FY 21/22 we reduced our carbon footprint for our own operations (scope 1 and 2 emissions) by 24.5%, against a FY 16/17 base year. This shows a strong underlying improvement over the last two years (FY 19/20: 18.5%). The movement versus last year (FY 20/21: 27.5%) is largely due to the positive impact on our carbon footprint of the temporary store closures in FY 20/21 due to Covid. We remain on track to meet our 2025 target of a 37.8% reduction.
- Actions during the year included further roll-out of LED lighting, converting a further 102 stores in the UK to air source heat pumps, and installing PV panels and biomass boilers at selected locations.
- We are using 100% low-carbon electricity across the UK, France, Poland and Iberia.
- Our scope 3 target requires us to achieve a 40% reduction (per £'million turnover) from purchased goods and services and use of sold products by 2025, against a FY 17/18 base year. We will report progress against our scope 3 emissions reduction target in our FY 21/22 Responsible Business Report (published in Q2 22/23).
- Kingfisher has a strong heritage in sustainable forestry and the responsible sourcing of wood. In line with our commitment to be 'forest positive' by 2025:
  - 87% of the wood and paper used in products is responsibly sourced (FY 20/21: 81%), including 100% of catalogue paper, putting us on track to achieve our target of 100% by FY 25/26.
  - As a founder member of the Rainforest Alliance's 'Forest Allies' initiative, we are supporting forest projects in Indonesia, Peru, Columbia, Guatemala and Cameroon, which will have a positive impact on tropical forests and their communities, including over 7,000 people and over 300,000 hectares of forest.

Customers: Helping to make greener, healthier homes affordable
- In FY 21/22, £5.8bn of sales, representing 44% of Group sales (FY 20/21: 42%), were from Sustainable Home Products. This equates to a doubling of our penetration since the programme was established in FY 11/12.
- These are products that help our customers live more sustainably (e.g., water-saving taps or loft insulation) and products that are sustainable because of their input materials or how they are manufactured (e.g., FSC timber, peat-free compost, or recycled plastic).
- We have now set up an ambitious new target for Sustainable Home Product sales to reach 60% of Group sales by FY 25/26 (previous target 50% by FY 20/21).
  - We are also targeting 70% of OEB product sales to be from Sustainable Home Products by FY 25/26 (FY 21/22: 55%).

- Sustainability is one of the five core design principles we use in developing our OEB ranges and we remain focused on improving sustainability performance. For example, we lead the market in moving towards 100% peat-free compost, we have removed solvents from further paint lines, integrated recycled plastic into more furniture and tools, and increased the longevity of some hand tool ranges.
- We also see considerable potential across all our markets as the 'green homes' agenda accelerates, in particular in the UK and France, where the governments have made 'net zero' commitments. Moreover, the ongoing energy crisis adds weight to the urgent need for governments to increase their support of greener homes and energy efficiency. We are exploring opportunities to further increase engagement with DIY and trade customers on this agenda. For example:

  - In FY 21/22, Kingfisher derived 10% of Group sales from energy and water-saving products. We are very well placed in energy efficiency categories such as loft insulation, LED lighting, underfloor heating and electric radiators, and are exploring other solutions.
  - Screwfix is now selling photovoltaic (PV) panels and air-source heat pumps to the trade and is exploring further options in this market.
  - This year, B&Q will test a new service to enable customers to improve the energy efficiency of their homes.
  - Following its launch in early 2021, Castorama France and Brico Dépôt France have supported the French government's MaPrimeRénov grant scheme for energy-efficient projects in customers' homes. The programme has gained significant traction in France.

Communities: Fighting to fix bad housing

- In FY 21/22, we invested £4m in our communities, and our colleagues and customers raised an additional £2.8m. We reached over 800,000 people through our charitable partnerships and banner Foundations.
- This brings our total to over 1.5m people helped since FY 16/17, putting us on track to achieve our target to help over 2m people by FY 25/26.
- We have now established charitable Foundations in all our banners and extended our partnerships with the national charities, Shelter and Macmillan in the UK, La Fondation Abbé Pierre in France, and Habitat for Humanity in Romania and Poland.
- Our banners supported a range of local projects during FY 21/22, such as the Bricobus run by Compagnon Bâtisseurs in France, which reached 2,000 people in deprived rural regions with free DIY training and advice, and Meta Pomoc in Poland, supporting young people leaving the care system to improve their housing.

Our priorities are underpinned by our commitment to our 'Responsible Business Fundamentals'. These are the many issues and impacts we need to measure and manage, to ensure we continue to operate responsibly across our business. We have clear policies in each of these areas, including health and safety, responsible sourcing, cyber security and data protection, and ethical conduct, to ensure we take a consistent best practice approach across our banners.

From FY 22/23, we are integrating Responsible Business measures into our long-term incentive plan (known as the Kingfisher Performance Share Plan), which will be granted to members of our senior leadership team. More information on this will be provided in our 2021/22 Annual Report and Accounts.

In May 2021, we entered into a new £550m sustainability-linked revolving credit facility (RCF), which enables Kingfisher to benefit from a lower interest rate when we deliver on ambitious sustainability and community-based targets under the Group's Responsible Business plan.

Governance and Reporting

Our Responsible Business Committee (RBC) is a sub-committee of Kingfisher's Board. It supports the governance of Responsible Business and monitors performance against our priorities, and met three times during 2021. The RBC is chaired by Sophie Gasperment, a non-executive director (NED) of the Board, and includes a further NED, our Group CEO, and other members of the Group Executive.

We align our reporting with the **Sustainability Accounting Standards Board (SASB)** standards for Multiline and Speciality Retailers and Distributors, and the Global Reporting Initiative (GRI). Furthermore, we have been working to improve our understanding of the financial impacts of climate-related risks and opportunities, in line with the approach set out by the **Task Force on Climate-related Financial Disclosures (TCFD)**. Further information can be found on pages 23 to 29.

We continue to rank highly in external benchmarks and indices, including:

- **MSCI:** We rank as a 'Leader', having received the highest-possible 'AAA' score, which was achieved by only 3% of companies in the *Retail – Consumer Discretionary* sector.
- **CDP climate change:** We continue to achieve a leadership score of 'A-'. We are amongst 25% of companies in our sector globally that reached 'Leadership' level and we score higher than the average discretionary retail performance of 'B-'.
- **Sustainalytics:** We rank 1st out of 39 in home improvement retail and 2nd out of 453 in the wider retailing industry.
- **Workforce Disclosure Initiative:** We received a disclosure score of 71%, which is ahead of the average consumer discretionary sector and average disclosure score (all companies) of 68%.
- **ISS ESG Corporate Rating:** We achieved a 'C+' rating. This is supported by our 'Prime' status, which is given to companies that are perceived to be sustainability leaders in their industry.
- **FTSE4Good:** Listed in this index with a rating of 4.6 out of 5 ('Strong' performance).

For more information on our Responsible Business strategy, performance and governance, please visit the Responsible Business section of our website at www.kingfisher.com and our Responsible Business report to be published in Q2 22/23.

5. Industry trends offer us opportunities

While the overall home improvement industry is growing, there are also clear longer-term shifts within the market which provide us with further opportunities. Our 'Powered by Kingfisher' strategy is closely aligned with these trends, positioning our banners for growth.

Working from home – The Covid crisis has established longer-term trends that clearly support our industry, in particular the normalisation of flexible working. We expect that for most, a return to the work office for five days a week is unlikely. As a result, our customers are encouraged to invest in their homes and gardens, with more focus on improving their comfort and wellness. More working from home also results in more wear and tear, and the need to organise living space differently, creating further demand for home improvement. Flexible working has also allowed people to move further out of city centres, usually into larger homes, meaning they have more space to maintain and improve, and are generally closer to our larger stores. This has also driven up housing transaction volumes which, our data shows, generates significant incremental demand for the 12-18 months following a move.

Digital – Over the last two years, the shift towards online has rapidly accelerated for the whole industry. All our key markets have experienced significant e-commerce growth, with our e-commerce sales up 171% since FY 19/20. We are prioritising investment in digital, technology and data as we scale up for the next phase of e-commerce growth, led by our Group e-commerce marketplace technology. Further detail included on page 8 within *'Grow e-commerce sales'*.

Speed & convenience – Customers' increased demand for speed and convenience, along with demographic trends, are driving a shift towards more localised compact stores and faster fulfilment. Our stores are at the centre of our e-commerce proposition, giving us an advantage by enabling us to fulfil orders fast, especially through C&C. We are also pushing boundaries in the non-food retail space through Screwfix's one-hour delivery service. While Screwfix is already addressing the compact store shift in the UK, the trend provides our other retail banners with the opportunity to widen their customer reach, especially in France and Poland where we have less of a presence in small formats. Further detail is included on page 11 within *'Test compact store concepts and adapt our store footprint'*.

Value – In more mature markets across Europe, discounter format stores are growing their businesses and expanding their home improvement ranges. This growth has been supported by consumers' rising focus on value for money and pricing transparency, which we can capture by offering competitively priced OEB products, which make up almost half of Group sales. Further detail is included on page 9 within *'Differentiate and grow through own exclusive brands'*. In addition, we are well placed in this area of the market with our renowned Brico Dépôt discounter banners in France and Iberia. We are also mindful of rising consumer prices and the potential impact on customer demand. As a core consumer spending area, home improvement has grown steadily over time and proven to be robust even during periods of economic weakness. We are well positioned here too, thanks to our sharp focus on maintaining attractive price positioning across the Group, with a price index at 100 or below vs nearest competitors.

DIFM – Before the Covid crisis, we saw a very gradual shift in customer preference from DIY towards Do-It-For-Me ('DIFM'). According to research by USP Marketing Consultancy, DIFM share grew by less than one percentage point between 2015 and 2019. Over the last two years we have seen customers favour DIY, which is linked to it being more 'socially distanced' than DIFM, as well as being cheaper, a hobby, an activity that contributes to wellbeing, and customers having more flexibility, due to an increase in working from home. As a result, we expect the balance between DIY and DIFM to remain stable over the medium term. Kingfisher is well positioned to capture growth opportunities in both customer preferences, with DIFM and trade comprising half of Group sales, and we have plans to further increase engagement with trade customers. Further detail is included above within *'Build a mobile-first and service orientated customer experience'* on page 10 and *'Expand engagement with trade customers'*. on page 12.

Younger 'DIY'ers' – During the Covid crisis, we saw the emergence of a younger generation of 'DIY'ers', whose interest, skills and enthusiasm for DIY have grown considerably. While this trend is still emerging, it is encouraging and enables us to capture a broader range of customers. Our investments in technology and data are positioning us to secure their interest earlier in their journey, as the purchasing or inspiration phase often starts online. We are also well placed to satisfy their demand for choice, speed and convenience, as detailed above.

'Greener' products – Being a responsible business is more important than ever. Customers are looking for easy ways to buy more sustainable products that have been responsibly sourced. As a sustainability leader with access to significant in-house product design capability, this provides us with significant growth opportunities. Moreover, we are well positioned to cater to the growing demand for energy-efficient products and solutions. Further detail is included on page 13 within *'Lead the industry in Responsible Business practices'*.

In summary, structural market drivers together with the establishment of new and longer-term trends following the Covid crisis, clearly support our strategy.

6. Clear financial priorities and capital allocation framework

Group financial priorities
Our 'Powered by Kingfisher' strategic plan is delivering growth and creating shareholder value. We are also making progress against our financial priorities over the medium term. These are to:

- **Prioritise top line growth and grow sales ahead of market:**
  - Clear strategy, actions and investments to drive market share growth
  - Focused on store and online customer satisfaction
  - Operating in an attractive market, with new longer-term trends supporting the industry
- **Grow adjusted pre-tax profit in line with sales; gradually faster than sales over time:**
  - Focused on driving scale benefits and cost improvements, enabling us to accelerate investment in top line growth and achieve an improved adjusted pre-tax profit margin % over time

- **Generate strong free cash flow to underpin investment and shareholder returns:**
  - Driving inventory self-help, which presents a significant opportunity over the medium-term
  - Disciplined approach to capital expenditure allocation, with target gross capex of c.3.0-3.5% of total sales per annum, on average
  - Progressive, sustainable dividend policy, with target dividend cover of 2.25-2.75x
  - Committed to an efficient capital structure, while maintaining a prudent position in times of uncertainty
  - Scope for surplus capital returns via share buybacks or special dividends

Capital allocation
In 2021 we updated our capital allocation policy to reflect the investment requirements and ambition of 'Powered by Kingfisher', while maintaining a strong balance sheet. The Group's objectives in managing capital are to:

- Invest in the business where economic returns are attractive
- Maintain a solid investment grade credit rating
- Safeguard the Group's ability to continue as a going concern and retain financial flexibility
- Provide attractive returns to shareholders

We aim to allocate capital, subject to strict returns criteria, to compelling organic or strategic/bolt-on inorganic growth opportunities that strengthen and accelerate our strategy. Over the next two financial years, we expect to be at the upper end of the gross capex target range set out above, as we accelerate investments for growth.

To maintain a solid investment grade credit rating, our target is a maximum of c.2.0 times net debt to EBITDA on an IFRS 16 basis over the medium term. To retain financial flexibility, we aim to maintain strong liquidity headroom (including cash, cash equivalents and committed debt facilities), which is currently set at a minimum of £1bn. This £1bn buffer currently comprises an undrawn RCF of £550m and cash of £450m.

In March 2021, the Board announced a target ordinary dividend cover range of 2.25 to 2.75 times, based on adjusted basic earnings per share. We aim to grow the ordinary dividend progressively over time.

If surplus capital remains after having achieved all the above objectives, the Board will periodically evaluate returning surplus capital to shareholders via a share buyback programme or special dividends.

Dividend for FY 21/22
Following the very strong performance in FY 21/22, the Board has proposed a final dividend per share of 8.60p. This results in a proposed total dividend per share of 12.40p in respect of FY 21/22, which is 50% higher than the prior year (FY 20/21: 8.25p). The dividend cover of c.2.8 times is a little over the top end of our target cover range, in line with our previous guidance.

The final dividend is subject to shareholder approval at the Annual General Meeting on 22 June 2022, and will be paid on 27 June 2022 to shareholders on the register at close of business on 20 May 2022. A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the Company's shares. The shares will go ex-dividend on 19 May 2022. For shareholders electing to participate in the DRIP, the last date for receipt of elections is 6 June 2022.

£300m share buyback programme
In September 2021, the Board announced the return of £300m of surplus capital via a share buyback programme. Up to and including 21 March 2022, we have repurchased £225m worth of shares (31 January 2022: £157m), with the final £75m tranche expected to complete by May 2022.

Current trading in FY 22/23
Q1 22/23 LFL sales (to 19 March 2022) are down by 8.1%, reflecting very strong comparatives in the prior year. The corresponding 2-year LFL is up 16.0%. This performance indicates, in these early weeks of FY 22/23, a very healthy retention of the demand and revenue uplift from the prior two years. Trading in all banners is encouraging, including in Poland and Romania which have traded strongly in the most recent weeks. In the UK and France, growth was impacted by storms in February. However, the week commencing 15 March 2020 was impacted by all stores in France closing following the start of the national lockdown. Taking all this together, we believe that underlying trading is more in line with our Q4 21/22 2-year LFL.

We have built a good inventory position ahead of peak trading periods over the upcoming warmer weather months. Furthermore, our 'big-ticket' ranges are in strong demand to date, with the current showroom order book for B&Q and Castorama France 72% higher versus the same point last year (up 79% on a 2-year basis).

Outlook for FY 22/23
As described above we have had an encouraging start to the first quarter, with resilient demand across all our markets. We are however very mindful of the heightened macroeconomic and geopolitical uncertainty that has emerged since the start of the year.

Looking ahead to this year, our priority remains top line growth, and strong and consistent execution. We are targeting further market share gains in our markets, and are accelerating our investments for growth – through the launch of our scalable e-commerce marketplace, the expansion of Screwfix in the UK and France, new store openings in Poland, and our plans to increase trade customer penetration. We expect P&L investments of c.£25m in relation to our new businesses in FY 22/23, including Screwfix France and B&Q's e-commerce marketplace. New store openings, largely in Screwfix and Poland, are expected to contribute c.+1.5% to total sales growth.

We are committed to continue managing our gross margin effectively in an inflationary environment, as we did successfully in FY 21/22. Furthermore, we will remain active and responsive in our approach to managing our operating cost base. In addition to benefiting from ongoing cost reduction initiatives, our retail banners can rapidly flex their cost base in the face of changing demand, as evidenced during the Covid pandemic.

As a result of the above, we are comfortable with the current consensus of sell-side analyst estimates for FY 22/23 adjusted pre-tax profit.

Business model

We offer home improvement products and services to consumers and trade professionals across our over 1,470 stores, via our e-commerce channels and through our franchise and joint venture partners.

By delivering our strategy and operating as a responsible business, we create sustainable value for our customers, colleagues, shareholders, suppliers and wider society.

At Kingfisher, we believe a better world starts with better homes. We help make better homes accessible for everyone.

Our key resources

Our people and culture
82,000 engaged colleagues, with the right training to serve customers.

Our scale
Over £13 billion of sales in eight countries.

Our financial strength
Strong balance sheet and cash generation.

Our leading retail banners
Strong and distinct retail banners that address diverse customer needs, operate different models and have a clear positioning and plan.

Our channels
Network of over 1,470 stores, strong online presence, as well as franchise and joint venture partners.

Our product offer
Our own exclusive brands (OEB) allow our banners to offer differentiated products in terms of design, functionality, sustainability and value for money.

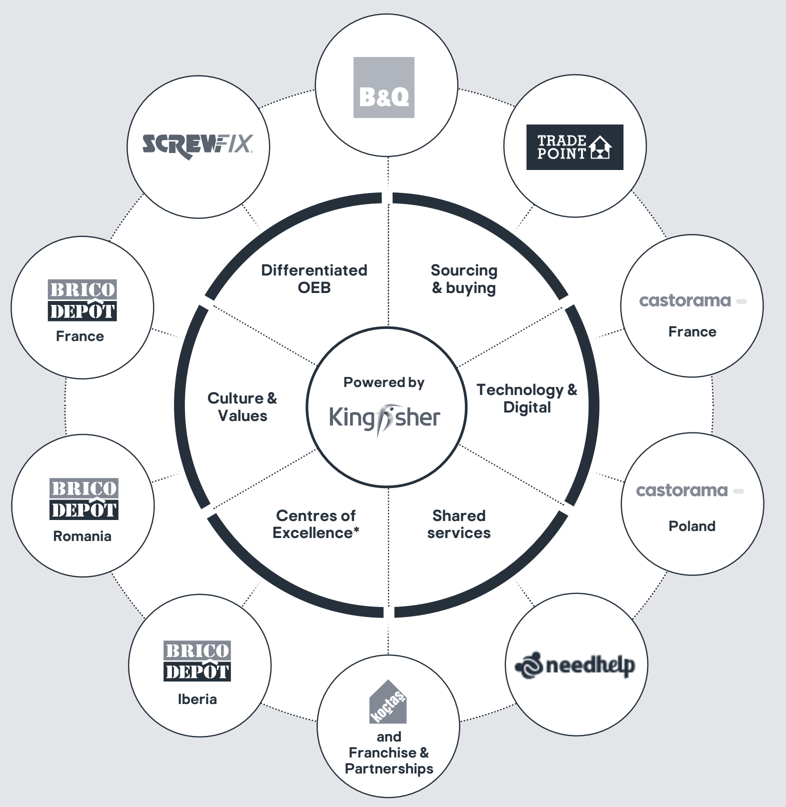
Our suppliers
Close collaboration with our suppliers to bring the best home improvement products to our customers at great prices, while ensuring they meet our ethical standards.

Natural resources
Working to reduce carbon emissions from our business, products and supply chains and to create more forests than we use.

Society
Partnerships with communities and non-governmental organisations (NGOs) to address the issues that matter most to us, such as housing and climate change.

How do we create value?

Our leading retail banners target specific customer segments within their markets. As trusted brands, they connect with customers and drive loyalty. They are powered by Kingfisher, which provides key benefits, such as Group sourcing and buying, differentiated own exclusive brands, services, technology and partnerships (including joint venture partners, franchisees and marketplaces) and ensures our values and responsible business practices are upheld. These strengths are underpinned by our experienced, skilled and committed colleagues and the financial scale of the combined Kingfisher Group.



* E-commerce, digital journey, data, store concepts, services and service platforms, supply chain, and property.

Who do we create value for?

Customers
Making better homes accessible for everyone and helping tradespeople to get their jobs done quickly and affordably.

Colleagues
Inclusive, rewarding work and careers, developing skills.

Communities and society
Operating as a responsible business, with strong community involvement.

Environment
Protecting and restoring natural resources and tackling climate change.

Shareholders
Growing the value of the company sustainably.

Suppliers
Sharing value in our supply chain.

Partners
Growing our business together with joint venture, franchise and marketplace partners.

Our markets

The home improvement market for consumer and trade sales in our key geographies is worth approximately £130bn. Growth in customer expenditure on hardware and DIY goods over the past decade has outperformed total customer expenditure and has also remained robust during periods of economic weakness.

In Europe, this market is significant and caters for a variety of customer needs from maintenance to repair or decoration tasks and heavy renovation projects. These needs are met by a wide range of private label and branded product categories and corresponding installation, design, and consumer finance services. Larger format home improvement stores and trade channels are among the key distribution channels. However, generalist and specialist online 'pure-players', online marketplaces, home improvement specialist stores and discounters also play a role.

Structural market drivers are healthy due to a variety of factors. We expect to see a moderate increase in housing construction over the next three years. New supply ordinarily leads to a more dynamic housing market and more house moves and increased home improvement. Further, increased renovation is anticipated in response to the growing heavy maintenance and improvement burden associated with ageing housing stock in our markets. We also expect to see increased demand for energy efficiency in homes as governments intensify efforts around 'net zero'; in the UK and France where 75% of housing stock is deemed energy inefficient.

Customers are increasingly passionate about improving their homes and we have seen new positive longer-term trends for the industry being established. Customers across our markets are spending more time living and working at home. They are placing a greater emphasis on improving the practicality and comfort of their surroundings and in turn are spending more in the home improvement market. We expect further demand for home improvement longer-term to address the resulting 'wear and tear' on the home through increased use and the need to organise living space differently.

During the pandemic we have also seen the emergence of a younger generation of 'DIYers' with interest, skills, and enthusiasm. This allows us to capture a diverse range of customers. The more home improvement projects people undertake, the more DIY skills they learn – building confidence and ultimately increasing their interest and appetite for the activity.

While the overall home improvement market is growing, other clear longer-term shifts in customer behaviours and trends provide us with further opportunities. Our 'Powered by Kingfisher' strategy is closely aligned with these trends and allows the business to respond appropriately.

Over the last two years, the trend towards online has rapidly accelerated and all our key banners have experienced significant e-commerce growth. Pre-pandemic, Screwfix had been the exception amongst our banners with 33% e-commerce sales penetration. However, with our stores at the centre of our e-commerce proposition online sales now make up 18% of Group sales. Stores provide support for the significant proportion of online orders fulfilled through click & collect (C&C), in-person returns, and faster home delivery. In addition, retailers with omnichannel strategies such as Kingfisher provide customers with the option to visualise and design projects, seek advice, and choose from a wider range of fulfilment options.

Customers' increased demand for speed and convenience, along with demographic trends, are also driving a shift towards smaller and more localised compact stores. While Screwfix has addressed this shift, B&Q, Screwfix, Castorama France and Castorama Poland are currently trialling compact store formats to widen their customer reach and the early signs are encouraging.

In more mature European markets, a rising focus on value for money and pricing transparency has seen discounter format stores grow and expand their home improvement ranges. With our renowned Brico Dépôt discounter banners in France and Iberia, as well as our competitive own exclusive brand (OEB) products and overall Group-wide focus on attractive price positioning, we are well placed to respond in this area.

Kingfisher has balanced exposure to the DIY and Do-it-For-Me (DIFM)/trade trends with an approximately equal revenue split and healthy growth across both segments. Alongside the well documented increase in DIY during the pandemic, which is increasingly seen as a hobby and an activity that contributes to wellbeing, the DIFM trade category has also continued to grow. This has been supported by the development of service platforms connecting offer and demand in an easier way. Kingfisher acquired NeedHelp, one of Europe's leading home improvements online services marketplaces, in November 2020.

Finally, being a responsible business is more relevant and important than ever before. Customers are increasingly looking to buy more sustainable products that have been responsibly sourced. This provides us with opportunities to build on our strong sustainability credentials. Our approach to responsible business is discussed from page 23.

People and culture

Our 82,000 colleagues have always been key to our success. We aim to be an inclusive employer where every individual can fulfil their potential, be themselves and is given the opportunity to speak up.

During the year, we have continued to focus on our colleagues' health and wellbeing by maintaining Covid safety measures in our stores, distribution centres and offices, and supporting those colleagues who need to take Covid related absences. We are partnered with organisations such as the Retail Trust in the UK and Alterhego in France to provide colleagues and their families with wellbeing and financial support when they need it.

Delivering our People and Culture plan to empower our people

Our People and Culture plan launched in 2020 as a key enabler of our 'Powered by Kingfisher' strategy. Following further refinement in 2021, the plan has four priorities:

1. Balanced operating model

The 'Powered by Kingfisher' strategy aims to maximise the benefits of our distinct retail banners with the scale, strength and expertise of the Kingfisher Group, to address the significant growth opportunities that exist within the home improvement market. Our Group operating model has established clear roles and accountabilities and empowers our banners to address the diverse needs of their customers. while making use of the benefits of being part of the Group. During 2021, we further embedded the operating model and our banner commercial teams strengthened their buying, pricing and merchandising capabilities, while the global Offer & Sourcing team increased its focus on managing our Own Exclusive Brands (OEB) products. For example, Screwfix established an international operating model and leadership team to support the expansion into France. In Technology, dedicated banner teams support the development of banner technology plans and solutions.

They are assisted by the Group Technology team, which supports delivery, in addition to having responsibility for the overarching technology strategy and key areas such as infrastructure and cyber protection. Our Centres of Excellence, which cover areas such as data, store concepts and supply chain, were established in 2020/21. They have been critical to our progress, for example in supporting the trials of compact stores in B&Q, Castorama France and Castorama Poland.

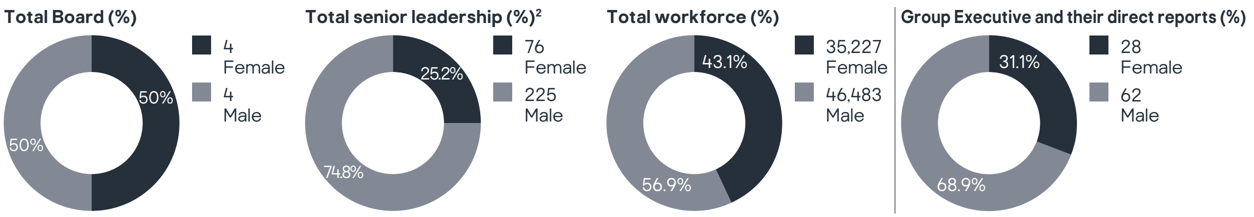
2. Capabilities to fuel growth

We have built our banner employer brands to help us attract and retain colleagues in increasingly competitive markets, especially at store level. To recognise the contribution of our frontline teams, we have invested in additional pay increases and bonuses for our store teams. Almost 9,000 colleagues participated in our '1+1 Sharing In Our Future' plan, of which nearly 75% are store-based colleagues, giving them opportunity to become Kingfisher shareholders. We were very pleased with the take-up rate, with 'purchased shares' bought in July 2021 using participants' contributions and 'matching shares' allocated by Kingfisher on a one-for-one basis up to a value of £1,500 per participant.

We have invested in specialist expertise to deliver our growth and support achievement of our strategic ambitions. We have extended our capability in key areas including digital marketing, CRM, e-commerce, design services, engineering, data science, supply/logistics and responsible business at a Group and banner level. As a Group, we made progress in supporting colleagues to develop their skills and fulfil their potential through almost 2,270,000 hours of learning across our banners and Group functions.

Across the banners, initiatives included new product training, strengthening commercial capabilities, and leadership development; as well as modules on our OEB products. We have continued to support youth employment, social mobility and learning for life and last year we had over 3,800 apprentices across Kingfisher.

At 31 January 2022, the gender breakdown of colleagues and directors was as follows[1]:



1. 2020/21: Board – 4 Female (44%), 5 Male (56%); total senior leadership – 127 Female (23%), 425 Male (77%); total workforce – 33,890 Female (43%), 45,739 Male (57%).
2. As disclosed on page 23, we have set a target to increase women in senior leadership to 35% by 2025. Senior leadership under this target is defined as those who are eligible for our discretionary share plans, the Alignment Share Plan and the new proposed Performance Share Plan (see pages 75 to 104 for more information). Therefore, we have calculated the numbers above using the same methodology to enable us to report our progression against this target. This means that the 2020/21 data has also been re-based accordingly.
3. We previously reported two sets of senior leadership data/targets, one in our Directors Remuneration Report (DRR) and the other in the People and Responsible Business sections of the AR. This year, we have aligned this data and are now reporting progress against the target set out in the DRR (to increase women in senior leadership to 35% by 2025). The senior leadership population reflects those executive leaders included in our Alignment Share plan (see pages 75 to 104 more detail). 2020/21 data reported here has been re-based to show progress against our target.

3. An agile, inclusive culture led by trust

Ensuring our colleagues are engaged, motivated and always supported by inspiring leaders is essential to continuously improving our customer satisfaction, our productivity and the delivery of our strategy. Strong engagement and an inclusive culture are important parts of our Responsible Business agenda and our commitment to doing the right thing for our colleagues, customers, communities and the planet.

We have therefore focused on enhancing organisational agility, listening to our people, and building leadership capabilities that support inclusivity and diversity.

We have prioritised achieving a more agile culture, encouraging colleagues to adopt a 'test and learn' mindset, so we can act with pace and without constraint to drive the ways we innovate and how we deliver. We have listened to our people through several means including a new dedicated tool and in 2021 our employee Net Promoter Score (eNPS) for colleagues' willingness to recommend their workplace to others was 48, in the top 10% of global retailers. Each part of the business developed local action plans to address feedback, endorsed by the Group Executive and Board. Colleagues shaped key internal policies in 2021 including hybrid working for those in corporate offices.

We are proud that colleagues of all backgrounds feel valued at Kingfisher, but there is more we can do. As part of our Inclusion and Diversity strategy, we are developing more inclusive leaders, creating platforms for diverse colleague voices, improving gender representation across our business, and gaining a deeper insight into minority and marginalised groups. We are on track to meet our goal of 40% women in all management roles by 2025 and we made several key diverse appointments into senior leadership roles in 2021. Achieving our senior leadership target remains an ongoing area of focus. We have introduced initiatives to help us achieve this goal, such as 50/50 gender balanced shortlists. Read more about our inclusion targets in the Responsible Business section on pages 23 to 29.

4. Diverse and inspiring leaders

Inspiring, inclusive leaders have a huge role to play in the delivery of our strategy and plans for growth. During 2021, we therefore brought our senior leaders together virtually on a regular basis to maintain dialogue regarding strategic progress and lessons learned from various tests and trials. We also delivered targeted inclusive leadership training to senior leaders across the Group and banners, including members of the Group Executive. We added additional rigour to the ways we assess senior talent and defined the behaviours which will help us embed an agile, inclusive culture. We are in the process of building a new development strategy to grow our current and future people.

Equal opportunities

Kingfisher is committed to creating a workplace where everyone is treated with fairness, dignity and respect irrespective of age, educational and professional background, diverse abilities, gender, gender re-assignment, marital status, race, ethnicity, religion and beliefs, and sexual orientation.

It is our policy that all colleagues are treated fairly. No colleague is to be treated less favourably or experience discrimination (unlawful or otherwise) on any grounds, especially those pertaining to diverse characteristics. This policy applies to every part of employment, including recruitment and selection processes, opportunities for training, development and promotion, and terms and conditions of employment. Entry into and progression within the company is based solely on personal ability and competence to meet set job criteria. Our employment policies, practices and procedures promote accessibility for disabled people, providing reasonable adjustment where appropriate. Kingfisher continues to be a proud partner of a number of recognised forums across its geographies that champion diversity in all its forms.

Further information about our people can be found in the Risk section from page 42.

Responsible Business

Operating as a Responsible Business

We have been prioritising responsible business issues for over three decades – from pioneering approaches for the responsible sourcing of wood and paper, to creating more sustainable products for our customers and establishing innovative charitable partnerships. Today, we are working to integrate responsible business into every part of our operations, from our governance and reward structures to how we run our stores. Responsible Business is one of the priorities of our 'Powered by Kingfisher' strategy.

Our Responsible Business priorities

Our Responsible Business strategy focuses on four priorities, set out in the table below, where our experience, scale and influence can bring about positive change. These priorities are underpinned by our Responsible Business fundamentals – the issues and impacts we measure and manage to ensure we continue to operate responsibly across our business. For details of these, see pages 28 to 29.

During this second year of our Responsible Business strategy, we made good progress across all four priorities. Further information will be published in our Responsible Business Report in July 2022.

Colleagues: Becoming a more inclusive company

Our commitment: We will become an inclusive company, by breaking down barriers to employment and progression and building skills for life.

Our targets:

- Improve gender balance to 35% women in senior leadership and 40% women in management by FY 25/26.
- Provide five million hours of skills for life learning by FY 25/26.

Our progress:

- 37.7% of manager and 25.2% of senior leadership positions are now held by women, up from 36.1% and 23.2% respectively since last year[1].
- 31.1% of our Group Executive and their direct reports are female.
- Colleagues completed over 2.2m hours of training during FY 21/22.
- Almost 9,000 colleagues became shareholders through our new "1+1 Sharing In Our Future" share plan.
- Engagement and inclusivity, as part of our People and Culture plan, is discussed on page 22. Each banner and Group function has an Inclusivity Action Plan with targets linked to performance bonuses, and Inclusion and Diversity (I&D) Affinity Groups. Our I&D Advisory Forum brings together colleague representatives and senior leaders from across the business.

Planet: We will help tackle climate change and create more forests than we use

Our commitment: We will help tackle climate change by reducing carbon emissions from our business, products and supply chains; and by creating more forests than we use. We will become Forest Positive by investing in forest projects.

Our targets:

- 100% responsibly sourced wood and paper for our products and catalogues by FY 25/26.
- Become Forest Positive by FY 25/26.
- Achieve our approved science-based carbon reduction target by FY 25/26.

Our progress:

- 87.2% of the wood and paper used in our products was responsibly sourced (FY 20/21: 81%) and 100% of catalogue paper in FY 21/22.
- As a founding member of the Rainforest Alliance Forest Allies, we are investing in six forest projects. See case study/page 24
- In June 2021, we announced a new carbon reduction target for FY 25/26, consistent with reductions required to keep global warming to 1.5°C and approved by the Science Based Targets initiative (SBTi). See page 27 onwards.
- We are also a founding member of the UN's Race to Zero Breakthroughs – Retail Campaign, with the aim to inspire more retailers to act against climate change.

Customers: We help make greener, healthier homes affordable

Our commitment: We will help millions of customers have a greener, healthier home – one that is resource-efficient, uses planet-friendly materials and is free from harmful chemicals.

Our targets:

- 60% of Group sales to be from our Sustainable Home Products (SHP) by FY 25/26, including 70% of sales for our own exclusive brand products (OEB).

Our progress:

- 44.1% of total Group sales came from products that help create greener, healthier homes, such as LED lighting, low-flow taps, and low VOC paint.
- For OEB, the percentage of SHP was 54.7%.
- Improved sustainability performance for several ranges including moving towards 100% peat-free compost, moving away from a solvent-based paint formula in additional ranges, integrating recycled plastic into more furniture and tools; and increasing the longevity of some hand tool ranges.
- We updated our SHP guidelines and published a new online guidebook to help all colleagues understand and apply our commitments. We extended our target (50% SHP by FY 20/21) to a new ambition of 60% of Group sales to be from SHP by FY 25/26. This includes 70% of sales for OEB products.

Community: We will fight to fix bad housing

Our commitment: We will donate our products, expertise and time to help people whose housing needs are greatest in the communities we serve.

Our targets:

- Help more than two million people whose housing needs are greatest by FY 25/26.

Our progress:

- Our projects have reached over 800,000 people this year, which brought our total to over 1.5 million people since FY 16/17.
- £4.0 million community investment in the year. In addition, our colleagues and customers raised £2.8 million
- We have established charitable foundations in all banners and partnerships with national charities, Shelter and MacMillan in the UK, Fondation Abbé Pierre in France, and Habitat for Humanity in Romania and Poland.
- Our banners also supported a range of local projects during FY 21/22 including the Bricobus run by Compagnon Batisseurs in France, which reached 2,000 people in deprived rural regions with free DIY training and advice, and Meta Pomoc in Poland, supporting young people leaving the care system to improve their housing.

1. We previously reported two sets of senior management data/ targets, one in our Directors Remuneration Report (DRR) and the other in the People and Responsible Business sections of the AR. This year, we have aligned this data and are now reporting progress against the target set out in the DRR (to increase women in senior leadership to 35% by FY 25/26). The senior management population reflects those executive leaders included in our Alignment Share plan (see pages 75-104 for more detail). FY 20/21 data reported here has been rebased to show progress against our target.

Climate change and energy use

Our response to the Task Force on Climate-related Financial Disclosures (TCFD)

Over the past year, we have been working to improve our understanding of the financial impacts of climate-related risks and opportunities, in line with the approach set out by TCFD. We have summarised below our progress against the TCFD disclosure framework and we will be undertaking further work to enhance our disclosure in 2022/23**.**

Key areas of progress in FY 21/22:

- **Governance:** We are submitting a new Remuneration Policy for Executive Directors for shareholder approval at the 2022 AGM, which links our scope 1 and 2 emissions reduction targets to a new long-term incentive plan**.** See pages 75-104.
- **Strategy:** We updated and strengthened our Sustainable Home Products (SHPs) sales target to maximise business opportunities from the transition to a net zero future. We now aim for SHPs to account for 60% of Group sales by the end of FY 25/26 (our previous target of 50% expired in FY 20/21) and 70% of sales of own exclusive brand (OEB) products and services. See details of our progress on page 23.
- **Risk management:** We undertook an initial analysis of the physical climate risks facing our property portfolio up to 2050. We will continue to develop our ability to test the resilience of our business strategy under differing climate scenarios.
- **Metrics and targets:** We updated our science-based targets to align with a 1.5°C trajectory, placing Kingfisher amongst a handful of retailers worldwide to have a 1.5°C target validated by the Science Based Targets initiative.

Governance
The governance of climate-related risks and opportunities is integrated into our overall Responsible Business governance and risk management structures. The Board receives regular updates about our climate-related performance (more detail on page 70). Our CEO is accountable for energy and climate change, with climate-related responsibilities sitting within various sub-committees:

- Our **Responsible Business Committee** (RBC), which is a sub-committee of the plc Board and is chaired by a non-executive director, leads and oversees delivery of our Responsible Business strategy, including the management of climate-related risks and opportunities. The RBC met three times in 2021.
- The **Audit Committee** receives updates on our TCFD disclosures and their alignment with regulatory requirements.
- Our **Group Investment Committee (GIC)** is directly accountable for all capital and revenue expenditure above the threshold reserved for approval at the banner or Group function level. Energy-saving measures are a standing agenda item at meetings.

In addition, our central Responsible Business team, led by our Director of Responsible Business, is accountable for developing strategy and for reporting and communication on climate change. Our retail banner CEOs have responsibility for delivering progress against our carbon reduction and climate change commitments. Within the central Offer & Sourcing function, the Sustainability team is responsible for ensuring our product sustainability requirements are embedded into our own exclusive brand product ranges, and for supporting vendors and their factories to reduce their own emissions.

We will be submitting a new Remuneration Policy applicable for the Executive Directors for shareholder approval at the 2022 AGM. The new Policy includes a proposal for a new share plan known as the Kingfisher Performance Share Plan which will also be granted to our senior leadership population. It is intended that Responsible Business measures will form part of the performance conditions which determine the vesting of this plan. This includes scope 1 and scope 2 greenhouse gas emissions reduction targets, which are aligned to our long-term science-based targets. More detail on page 101.

Partnering with the Rainforest Alliance

Forests are vital for the health of our planet and communities, but are being lost or degraded at an alarming rate.

In 2021, we began a partnership with the Rainforest Alliance, as a founding member of its Forest Allies initiative. This supports forest communities by assisting them as they build stronger local economies and protect the natural resources we all depend upon.

Through the partnership, we are investing in six projects covering over 300,000 hectares and the livelihoods of 7,400 people around the world. This includes restoring Guatemala's Mayan Forest; building enterprises with Indigenous Peoples in the Peruvian and Colombian Amazon; protecting Cameroon's Mintom landscape through community forestry; and improving degraded landscapes through social forestry in Lampung and West Kalimantan, Indonesia.

Strategy

Based on our materiality assessments, we believe the growing market for SHPs[1] and services is the most material climate change opportunity for our business. In the UK and France, for example, the accelerating Green Homes agenda is being driven by national net zero commitments. Climate risks include the potential impact of rising energy costs on our business and supply chain, the potential for operational and supply chain disruption from physical hazards, and reputational damage from not meeting our climate-related commitments.

We consider material climate-related risks and opportunities through our strategy development and financial planning. Our projections account for capital investments in energy technologies (such as the installation of air source heat pumps across our Screwfix estate) and renewable electricity to support the delivery of our emissions reduction targets, and anticipated sales of our SHPs.

More information on our risks and opportunities and our response is presented in the table below. There will be further details in our FY 21/22 Responsible Business report published in July.

Risks/opportunities and description	Our response
Market changes Opportunities to increase sales of SHPs that enable customers to create net zero homes; reputational risks from failure to transition away from carbon intensive products such as peat and ceramics. **Timeframe:** Short-term (1-3 years) **Area of business impacted:** All retail banners	The commercial opportunities and risks from the transition towards net zero will continue to shape our product range and business strategy. It is estimated that 80% of all of the UK's homes of 2050 have already been built, yet two-thirds currently fail to meet the UK Government's aspiration for as many homes as possible to reach Energy Performance Certificate Band C by 2035[2]. Our SHPs help to make greener, healthier homes affordable and can support the delivery of national net zero targets, particularly through product categories such as loft insulation and energy efficient appliances. We are also taking action to reduce the embodied carbon in our product ranges, in line with our scope 3 carbon targets. We measure progress in managing this opportunity through our headline target to achieve 60% of Group sales from SHPs by the end of FY 25/26 (and 70% from our OEB products and services) – see page 23.
Energy & fuel costs Increased risk of rising energy and fuel prices, and carbon taxes, due to regulatory changes and an increase in energy demand (e.g. more heating and cooling requirements during extreme weather) **Timeframe:** Short-term (1-3 years) **Area of business impacted:** Operations and supply chain	We are working to reduce energy use and carbon emissions through our science-based targets, which cover our own operations (scope 1 and 2 emissions) and supply chain (scope 3 emissions). We mitigate this risk through investments to improve the efficiency and reduce carbon intensity of our energy and fuel consumption. For example, we continue to roll-out LED lighting and building energy management systems across our estate, whilst increasing the proportion of our power derived from renewable sources. See the 'Reducing energy use' section on page 27. Overall, in FY 21/22 we reduced our energy intensity by 6.4% and our scope 1 and 2 carbon emissions by 24.5% from our 2016/17 baseline.
Physical damage to assets Increased physical risk of damage to assets from long-term changes in the climate and increased frequency of extreme weather events such as floods. **Timeframe:** Medium- to long-term (3+ years) **Area of business impacted:** Operations	In the short term, we undertake detailed modelling of our physical and consequential loss exposures for all of our business target locations. This enables us to maintain robust insurance programmes for our own assets (including self-insured policies) to cover potential physical risks and trading disruption from extreme weather events. Additionally, we incorporate climate change factors into the planning and design of new stores, refurbishment projects and preventative maintenance programmes. We are reviewing the findings from our climate-related scenario analysis (see below) to ensure that our mitigating activities are sufficient under a range of long-term climate scenarios.
Supply chain disruption Increased disruption to upstream and downstream transportation links, and changes in the availability of raw materials, resulting from physical climate hazards. **Timeframe:** Medium- to long-term (3+ years) **Area of business impacted:** All	A resilient supply chain is key to our business and the achievement of our strategic objectives. Business continuity plans are updated regularly, covering our internal points of failure and key partner disaster-recovery plans. The actions include a response to supplier and logistics failures, and plans were tested live as part of our Covid response activities. We continually review key suppliers by category to establish capacity and volumes and assess the impact of an interruption in supply. Our supplier strategy includes guidance on when to use more than one factory or supplier to increase resilience. We will undertake further work to assess climate-related risks to our wider supply chain (see the 'Our pathway to full TCFD disclosure' section) and to develop a robust and proactive management response.

1. Our Sustainable Home Products (SHPs) can help to lower the environmental impacts of our products by including features that are sustainable and/or deliver sustainable benefits to customers. SHPs support our ambition to address climate change through reducing carbon emissions embodied in our products and emitted when our customers use and dispose of our products.
2. Energy Performance Certificates (EPCs) are a widely used measure of the energy performance of buildings in the residential, commercial and public sectors. Buildings are given an overall rating of A to G (for domestic buildings).

Climate-related scenario analysis
We undertake high-level scenario analysis to inform our risk management approach and business strategy. In FY 21/22, we undertook an initial assessment of the physical risk to our property portfolio (stores, distribution centres, and data centres) over different time frames (current risk, 2030, 2040, and 2050).

The Intergovernmental Panel on Climate Change (IPCC) identify four potential climate scenarios (known as Representative Concentration Pathways, or RCPs), depending on the policies governments adopt to cut emissions. We have used RCP4.5 and RCP8.5 as the basis for our own scenarios, in line with the recommendation by the TCFD that the choice of scenarios covers 'a reasonable variety of future outcomes' with 'at least one 'a 2°C scenario or lower':

- A **'2°C scenario'** (RCP4.5) where the increase in global temperature is limited to 2-3°C. This is based on national climate change agreements currently in place and some further actions worldwide.
- A **'Business As Usual scenario'** (RCP8.5) where global temperatures increase by over 3°C due to limited global efforts to constrain emissions. We chose RCP8.5 to understand our risks under a 'worst case' scenario.

Physical risk to property portfolio

In FY 21/22 we commissioned external consultants to carry out an analysis of climate-related physical risks to our property portfolio up to 2050, and some of the key ports we use to ship our products.

Our modelling highlighted where issues such as drought, water scarcity and flooding may impact our estate under each scenario. Our next step is to establish an internal working group to interpret these findings in the context of our business strategy, identify and oversee any additional modelling requirements, and (where required) identify and implement additional actions to mitigate the identified risks.

Further scenario analysis is planned to review climate-risks associated with our wider supply chain (see 'Our Pathway to full TCFD disclosure').

Risk management
The identification and management of climate-related risks is fully integrated into the Kingfisher risk management framework. We regularly review our Responsible Business risk register, assessing all risks for their probability and potential financial, legal and reputational impacts, along with their probability and our mitigation measures. The climate-related risks above have been captured, assessed and are being monitored through this register.

As described in our Risk section, we currently treat the aggregated risk of climate change as an 'emerging risk', as the operational impacts are not deemed to be significant within our three-year principal risk outlook period. Our increasing use of climate scenario analysis will enable us to better assess the materiality of specific climate-related risks over the medium to long-term (over three years) and we will continue to assess whether the operational impacts of climate change warrant a re-designation as a principal risk. More detail on our risk management approach is on page 42.

Metrics and targets
We continually review our climate change metrics and targets (see page 27) to ensure that we are providing the information the business and our stakeholders need to effectively monitor our performance and drive progress.

We align with international best practice frameworks and guidance, and our operational carbon emissions reduction target has been validated by the Science Based Targets initiative, confirming that it aligns with a 1.5°C global warming scenario. We met our previous SBTi approved operational targets ahead of schedule.

We have also developed new investment plans to support the delivery of our targets, helping us to manage the transition risks associated with the decarbonisation of the global economy. In FY 22/23, we will be setting out our approach to achieving net zero emissions.

In FY 21/22 we agreed a £550m three-year revolving credit facility with a group of our relationship banks. The facility is linked to our responsible business targets, including the delivery of our 1.5°C targets for scope 1 and 2 emissions. This enables us to benefit from a lower interest rate if we deliver on our responsible business targets.

Our pathway to full TCFD disclosure

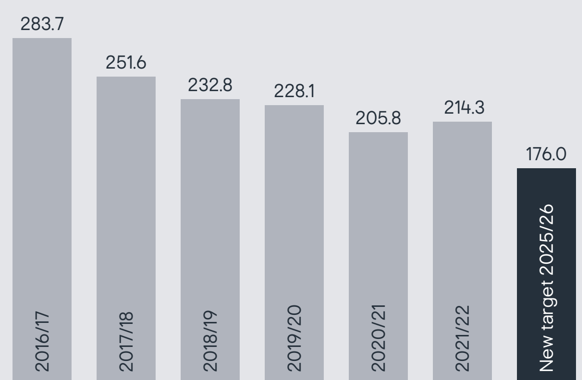
We aim to develop and improve our disclosure against the TCFD recommendations each year and to further strengthen our approach to identifying, assessing and managing climate-related financial risks.

In FY 22/23, a group of representatives from banners and key Group functions (i.e. risk, finance, insurance) will work together to better understand the methodology, data, assumptions, and the financial implications of the climate-related scenario analysis undertaken for our property portfolio, and work to mitigate risks.

We will also work across Kingfisher to prioritise and undertake further analysis to understand the financial implications of climate change on our business, including the resilience of our strategy to different climate scenarios. This work will be supported by a review of our current governance and management of climate-related risks and opportunities. We will reflect the outputs of this work within both the non-financial and (where relevant) financial statements of our FY 22/23 annual report.

Our science-based emissions targets

Our carbon emissions (scope 1 and 2 market-based) thousand tonnes CO_2e from property and transport



Scope 1 and 2
Reduce our absolute greenhouse gas emissions from our direct operations by 38% by 2025 compared with a FY 16/17 baseline.

Performance: **On track**

We have reduced our emissions by 24.5% since FY 16/17. During the last year we have seen a 4.1% increase in our scope 1 and 2 (market-based) GHG emissions. There was a 9.9% increase in scope 1 emissions (from fuels for heating and transport), and a 8.0% decrease in scope 2 (emissions from electricity). The overall increase relative to last year is a result of substantial Covid-related disruptions to our trading in FY 20/21, followed by a return to a relatively stable trading year in FY 21/22.

We have also seen a change in customer shopping habits, with some of our bigger banners adding click & collect service and an increase in home deliveries. We are investigating opportunities to decarbonise our home delivery fleet to ensure that this trend does not lead to growth in our emissions longer term.

We continue to exceed the requirements of our scope 1 and 2 science-based emissions reduction target, ensuring that we continue to play our part in limiting global temperature increases to 1.5°C.

Scope 3
Our scope 3 target requires us to achieve a 40% reduction (per million pounds (£) turnover) from purchased goods and services and use of sold products by FY 25/26 from a FY 17/18 baseline. As of FY 20/21 we had reduced such emissions by 18%. We will report the latest progress against our scope 3 emissions reduction target in our FY 21/22 Responsible Business Report (published in July). For our most recently published scope 3 data, please see our FY 20/21 Data Appendix (www.kingfisher.com/dataappendix).

We also monitor performance on climate change in external benchmarks, including the CDP Climate Change disclosure initiative. In FY 21/22 we maintained our score of A-, exceeding our sector average of B-.

Reducing our energy use
In the past year we have continued to reduce the energy intensity of our operations. We have achieved this through further roll outs of LED lighting and building energy management systems across our estate, energy efficient design blueprints for new stores, and improving building insulation. As a result we have reduced energy intensity by 6.4% since FY 16/17.

In addition we converted a further 102 sites in the UK to electric heating using air source heat pumps, and have also installed PV panels and biomass boilers at selected locations.

As per our scope 1 and 2 emissions performance, our overall energy consumption in FY 21/22 has increased relative to FY 20/21 as a result of Covid-related trading disruptions in the previous year. However, our total energy consumption was 4.2% lower than FY 16/17, our base year, and we continue to decarbonise our electricity supplies (as explained above).

Our greenhouse gas emissions and energy use data

	Unit	2021/22			2020/21			
		Global	**UK only**	**Global (excl UK)**	Global	UK only	Global (excl UK)	% change (global)
Scope 1	tCO_2e	**153,133**	**98,541**	**54,592**	139,326	94,375	44,951	9.9%
Scope 2 – location based	tCO_2e	**105,056**	**37,570**	**67,486**	110,604	40,560	70,044	-5.0%
Scope 2 – market based	tCO_2e	**61,122**	**731**	**60,391**	66,441	735	65,706	-8.0%
Total scope 1 and 2 – location based	tCO_2e	**258,189**	**136,110**	**122,079**	249,930	134,935	114,995	3.3%
Total scope 1 and 2 – market based	tCO_2e	**214,255**	**99,271**	**114,984**	205,767	95,110	110,657	4.1%
Carbon footprint (market based) per m^2 of floor space	$kgCO_2e/m^2$	**27.9**	**28.2**	**27.6**	26.7	27.4	22.7	4.5%
Total energy consumption	GWh	**1,230**	**692**	**538**	1,139	659	480	8.0%
Total energy intensity	kWh/m^2	**160**	**197**	**129**	148	190	113	8.1%

Five year performance and baseline

	Unit	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	% change against baseline
Total energy consumption	GWh	**1,230**	1,139	1,193	1,274	1,264	1,284	-4.2%
Total scope 1 and 2 – market based	tCO_2e	**214,255**	205,767	228,146	232,842	251,634	283,696	-24.5%
Carbon footprint (market-based) per m^2 of floor space	$kgCO_2e/m^2$	**27.9**	26.7	29.6	30.3	32.8	37.8	-26.2%

Notes to chart: Our GHG emissions have been calculated using the UK Government (Defra) and International Energy Agency (IEA) emissions factors. Our data covers our material Scope 1 and 2 impacts: emissions from property energy use and dedicated delivery fleets. We use the market-based method for calculating Scope 2 emissions to account for our efforts in generating and purchasing low-carbon energy. We also publish our location-based emissions. We report on an 'operational control' basis, meaning that the data covers Kingfisher's retail banners where we have the full authority to introduce and implement operating policies. Emissions from our Koçtaş joint venture are reported under our Scope 3 emissions (category investments).

In line with the SECR (Streamlined Energy and Carbon Reporting) requirements, we now report our emissions and energy use split between the UK and other countries. UK emissions account for 46.3% of global market-based emissions and UK energy use accounts for 56.3% of total energy use. Our GHG and energy use data is subject to annual independent assurance (ISAE 3000 limited assurance). The assurance statement with details on the scope and conclusion of the work will be published in the Responsible Business report in July. Carbon footprint and energy intensity calculations are based on total floor area of occupied properties. (7,682,887 m2 in FY 21/22). This is because a significant component of our direct environmental impact derives from our property portfolio.

Our data methodology document contains details on our greenhouse gas emissions and energy calculations and is available at www.kingfisher.com.

Our Responsible Business fundamentals

Each of our Responsible Business fundamentals has a clear Group policy that allows us to work effectively across our functions and banners to continually improve performance.

Responsible sourcing and human rights

We respect, protect and promote the human rights of our colleagues, workers in our supply chain and people impacted by our business activities. Our Human Rights Policy aligns with international agreements and guidelines including the United Nations Guiding Principles on Business and Human Rights, the International Bill of Human Rights (which includes the Universal Declaration of Human Rights), the UN Global Compact, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the Children's Rights and Business Principles and UN conventions on the elimination of discrimination.

With our suppliers, we are working to raise standards on the environment, labour practices, and human rights in our supply chain. As part of our due diligence, we assess performance through a wider programme that includes ethical audits of production sites. Further details are available in our Modern Slavery Act Transparency Statement (www. kingfisher.com/Modern-Slavery).

We do not tolerate any form of modern slavery. Our Modern Slavery Working Group oversees due diligence and disclosure on human rights and modern slavery. Its action plan includes internal training, supplier training, supplier ethical risk assessment and audit. We work with a range of partners to address human rights and modern slavery risks including Slave Free Alliance, a victim-focused social enterprise, as well as experts in the field of responsible recruitment such as Elevate to improve working conditions and protect the human rights of migrant workers in the Far East.

Slave Free Alliance met with our Responsible Business Committee in 2021 to discuss their work with us and to share best practice from around the world.

For further details and performance data, see our Modern Slavery Act Transparency Statement (www.kingfisher.com/Modern-Slavery).

Health and safety

Every colleague is entitled to a safe working environment. Our Group Safety and Compliance Officer oversees our approach and is supported by Senior Management Safety Committees in each retail banner and a network of safety professionals. Kingfisher Safety Network meetings and training sessions are held twice a year. Sessions were postponed during 2021 due to the pandemic, but have restarted in 2022.

Our Group-wide accident management reporting system tracks accidents and near misses, allowing us to identify root causes and reduce safety risks. A Health & Safety dashboard summarises performance at each retail banner. This data is reviewed quarterly by the Group Executive and the Board and is published annually in our Responsible Business report.

We were deeply saddened by the death of a colleague at one of our Brico Dépôt stores in France, following an accident involving a fork lift truck. Internal procedures, training and awareness surrounding forklift safety was immediately reviewed across all our banners as a priority.

Waste and chemicals

We are committed to achieving zero waste to landfill and increasing recycling. In the UK and France, these policy commitments are integrated into the contracts with waste management partners, and we regularly review their progress. We are phasing out high-priority chemicals from our products and supply chains and focusing on the sustainable sourcing of materials such as peat, plastic and cement.

A full update and performance data will be published in the Responsible Business Report in July 2022.

Ethical conduct

Our Code of Conduct sets out personal and shared responsibilities for meeting high ethical standards. We actively promote a culture of transparency, honesty and fairness.

The Code forms part of the contractual terms and conditions for all new colleagues. Colleagues also complete annual e-learning compliance training on our Code, as well as tailored modules for store and office-based colleagues covering the different compliance risks they might encounter. We provide additional Fair Competition and Market Abuse Regulation training for colleagues in higher-risk roles.

Our Group Ethics and Compliance Committee is chaired by our CFO and oversees compliance, identifies priorities and reviews compliance reports and investigations during its quarterly meetings. Local Ethics and Compliance Committees in each of our banners provide ongoing support and insight.

We use a third-party due diligence tool to support our processes in areas such as anti-bribery and corruption, data protection, sanctions and conflict of interest.

We operate a confidential whistleblowing hotline. During 2021/22, we ran internal awareness campaigns to ensure colleagues are aware of the hotline and to encourage more people to report ethical concerns. The Audit Committee of the Board receives regular updates about whistleblowing reports as well as the outcome of sensitive internal investigations. See page 71.

All suppliers must comply with our Code of Conduct and we embed its requirements into our procurement processes and supplier contracts. Potential new suppliers must factor in our Code of Conduct and ethical requirements when quoting to provide products or services.

Our anti-bribery and corruption policies and procedures, and our approach to data protection and cyber security are explained in the Risk section on pages 42 to 48.

Governance of a responsible business

Our Responsible Business Committee, a subcommittee of the Board, leads and oversees delivery of our responsible business strategy, setting our ambition and monitoring progress. You can read the Committee's report on page 70.

The Board receives regular updates on our performance and sustainability risks and reviews our responsible business KPIs each quarter as part of its governance duties.

From FY 22/23, we are integrating responsible business measures into the Kingfisher Performance Share Plan which will be granted to members of our senior leadership team. More detail on pages 75-104.

In 2021, we agreed a new sustainability-linked revolving credit facility agreement. See page 15.

ESG disclosure

We align with several external disclosure initiatives including CDP (formerly the Carbon Disclosure Project), the Workforce Disclosure Initiative (WDI), the Global Reporting Initiative (GRI), Task Force on Climate-Related Financial Disclosure (TCFD) and the Sustainability Accounting Standards Board (SASB) standards for Multiline and Speciality Retailers and Distributors.

For more information, visit www.kingfisher.com/responsiblebusiness

Trading review by division

Note: all commentary below is in constant currency.

UK & IRELAND

£m	2021/22	2020/21	% Reported Change	% Constant Currency Change	% LFL Change	% 2-year LFL Change
B&Q	**4,178**	3,707	+12.7%	+12.8%	+12.3%	+26.9%
Screwfix	**2,327**	2,036	+14.3%	+14.3%	+10.9%	+18.2%
Total sales	**6,505**	5,743	+13.3%	+13.4%	+11.8%	+23.8%
Retail profit	**794**	681	+16.6%	+16.7%		
Retail profit margin %	**12.2%**	11.9%	+30bps	+30bps		

Kingfisher UK & Ireland sales increased by 13.4% (LFL +11.8%) to £6,505m, with 2-year LFL sales up 23.8%, reflecting strong demand throughout the year from both retail and trade customers. Our banners significantly improved their competitive position in the UK home improvement market, and engagement with new and existing customers was strong, with both store and website NPS significantly improving YoY. Gross margin % decreased by 60 basis points, largely reflecting changes in category and channel mix, and one-off spend on securing availability. This was partially offset by our effective management of inflation.

Retail profit increased by 16.7% to £794m, with a strong performance from both B&Q and Screwfix. Operating costs increased by 9.6% largely due to higher costs associated with strong trading (including headcount increases and higher staff incentives), 79 net new store openings, operating cost inflation, digital investments, and the reversal of some Covid-related temporary cost reduction measures implemented in FY 20/21 (e.g., advertising and marketing). The increase in operating costs was partially offset by cost reductions achieved as part of our strategic cost reduction programme. Retail profit margin % improved 30 basis points to 12.2%.

B&Q total sales increased by 12.8% to £4,178m (LFL +12.3%), with 2-year LFL sales up 26.9% driven by double-digit growth across all categories. 'Big-ticket' items saw continued strong momentum, with showroom (kitchens and bathrooms) in the top-performing categories. Our current showroom order book is very strong, up 93% versus the equivalent point in the prior year, and up 98% on a 2-year basis. LFL sales of weather-related categories increased by 18% (increase of 43% on a 2-year LFL basis), while sales of non-weather-related categories, including showroom, increased by 10% (increase of 22% on a 2-year LFL basis). B&Q's e-commerce sales continued to grow strongly in FY 21/22, increasing by 13% YoY and 146% on a 2-year basis, and representing 11% of total sales (FY 20/21: 10%; FY 19/20: 5%).

B&Q's trade-focused banner, **TradePoint**, continues to perform ahead of expectations. The business continues to be a significant part of B&Q at 20% of its sales (FY 20/21: 19%). LFL sales for TradePoint outperformed the rest of B&Q, growing by 20% in FY 21/22, with 2-year LFL sales up 33%. TradePoint's higher weighting towards building materials and overall strong availability helped drive outperformance. Engagement with trade customers continues to be high, with the introduction of trade-only deals and campaigns in H2 21/22. Going forward, the loyalty scheme will be integrated into our digital platforms, giving customers the ability to better monitor current spend levels, and additional spend requirements to trigger higher discount bands (up to 10%).

B&Q opened 11 new stores in FY 21/22, including five compact stores and six further store-in-store concessions within ASDA supermarkets.

Screwfix total sales increased by 14.3% (LFL +10.9%) to £2,327m, with 2-year LFL sales up 18.2%, reflecting continued strong demand from trade customers. Space growth contributed c.3% to total sales. E-commerce sales decreased by 2% given exceptional 'digital only' trading periods in the prior year, with 2-year sales up 161%, representing 67% of total sales (FY 20/21: 78%; FY 19/20: 33%). The business continued to strengthen its digital proposition, launching its innovative new mobile app which has been very well received by customers, with mobile remaining the dominant channel of ordering online. During the year we launched our Screwfix 'Sprint' service, with strong early results. 'Sprint' offers customers an industry-leading 60-minute home delivery service (average delivery time c.45 minutes), currently covering over one third of UK postcodes. We also launched Screwfix in France as an online-only proposition with the goal of opening stores in H2 22/23. Results so far have been very encouraging. The results for Screwfix International are captured in 'Other International' – see below for further information.

In FY 21/22, Screwfix opened 68 net new stores (including 12 in Ireland). The total number of stores as of 31 January 2022 is 790, including 24 in Ireland. The business has a medium term target of over 1,000 stores in the UK & Ireland.

FRANCE

£m	**2021/22**	2020/21	% Reported Change	% Constant Currency Change	% LFL Change	% 2-year LFL Change
Castorama	**2,296**	2,265	+1.4%	+5.9%	+7.2%	+13.9%
Brico Dépôt	**2,202**	2,044	+7.7%	+12.5%	+11.6%	+15.9%
Total sales	**4,498**	4,309	+4.4%	+9.0%	+9.3%	+14.8%
Retail profit	**221**	181	+22.5%	+28.0%		
Retail profit margin %	**4.9%**	4.2%	+70bps	+70bps		

Kingfisher France sales increased by 9.0% (LFL +9.3%) to £4,498m, with 2-year LFL sales up 14.8%, reflecting strong demand in outdoor, kitchens and building & joinery categories. Covid-related restrictions in France led to some temporary store and non-essential range closures throughout the first quarter (and part of the second quarter), impacting total FY 21/22 LFL sales by c.-1%. These trading restrictions mostly impacted Castorama's larger stores, but contributed to Brico Dépôt's relative outperformance in H1 21/22 (Brico Dépôt's store estate consists of mainly medium-sized stores, which were not required to close). LFL sales growth also benefited from our decision to gradually open more stores on Sundays since Q3 20/21, to satisfy higher demand.

Our banners continue to improve their competitive position in the French home improvement market. In FY 21/22, Kingfisher France outperformed the market on a 2-year LFL sales basis (based on *Banque de France* data), excluding the impacts on trading from Covid-related restrictions in H1 21/22.

Gross margin % increased by 60 basis points, largely reflecting reductions in logistics and inventory holding costs, higher OEB weighting at Brico Dépôt, and our effective management of inflation. This was partially offset by an upweighting of special promotions (arrivages), more trading events, and category mix.

Retail profit increased by 28.0% to £221m, reflecting strong growth in gross profit, partially offset by an increase in operating costs of 8.5%. Operating costs increased due to strong trading and additional Sunday openings, leading to higher staff costs (headcount and staff incentives) and store-related costs (increased security and marshalling). The prior year benefitted from Covid-related temporary cost reduction measures (e.g., advertising and marketing) and furlough relief related to temporary store closures. The increase in operating costs was partially offset by cost reductions achieved as part of our strategic cost reduction programme, as well as the annualisation of cost benefits from the permanent closure of eight Castorama stores in FY 20/21. Retail profit margin % improved 70 basis points to 4.9%.

Castorama total sales increased by 5.9% (LFL +7.2%) to £2,296m, with 2-year LFL sales up 13.9% reflecting resilient demand against the backdrop of strong comparatives. LFL sales of weather-related categories increased by 12% (increase of 25% on a 2-year LFL basis), while LFL sales of non-weather-related categories, including showroom, increased by 6% (increase of 12% on a 2-year LFL basis).

The annualisation of a reduction in space following the permanent closure of eight Castorama stores in FY 20/21 impacted total sales by c.-1%. LFL sales growth was also supported by our decision to open more stores on Sundays. Covid-related restrictions in France led to some temporary store and non-essential range closures throughout the first quarter (and part of the second quarter), impacting FY 21/22 LFL sales by c.-1%. Castorama's e-commerce sales increased by 46% in FY 21/22 (up 318% on a 2-year basis), representing c.6% of total sales (FY 20/21: 5%; FY 19/20: 2%). Further commentary on the operational improvements made at Castorama France are detailed in 'France – final phase of 'fixes' within Section 2.

Brico Dépôt total sales increased by 12.5% (LFL +11.6%) to £2,202m, with 2-year LFL sales up 15.9%. This reflects a continued focus on Brico Dépôt's discounter credentials and differentiated ranges, with outdoor, building & joinery, kitchen and EPHC (electricity, plumbing, heating and cooling) all achieving double-digit LFL growth, YoY. The upweighting of special promotions (*arrivages*) contributed to increased customer engagement and improved price perception.

In H1 21/22 Brico Dépôt's performance benefitted from being able to keep most of its stores open during the period (except for four stores that were only open to trade customers and for C&C). LFL sales growth was also supported by our decision to open more stores on Sundays. Brico Dépôt's e-commerce sales increased by 8% in FY 21/22 (up 192% on a 2-year basis), representing c.5% of total sales (FY 20/21: 5%; FY 19/20: 2%). Brico Dépôt successfully opened two new 'medium-box' stores in FY 21/22 (both conversions of former Castorama stores).

OTHER INTERNATIONAL

	2021/22	2020/21	% Reported Change	% Constant Currency Change	% LFL Change	% 2-year LFL Change
Sales (£m)						
Poland	**1,525**	1,550	(1.6)%	+5.0%	+0.3%	+5.3%
Iberia	**366**	310	+18.0%	+23.2%	+23.2%	+14.6%
Romania*	**279**	242	+15.6%	+22.8%	+15.0%	+28.0%
Other**	**10**	–	n/a	n/a	n/a	n/a
Other International (ex-Russia)	**2,180**	2,102	+3.7%	+10.3%	+5.5%	+9.2%
Russia	**–**	189	(100.0)%	(100.0)%	n/a	n/a
Other International	**2,180**	2,291	(4.8)%	+1.5%	+5.5%	+9.2%
Retail profit (£m)						
Poland	**135**	146	(7.7)%	(1.5)%		
Iberia	**12**	3	n/a	n/a		
Romania*	**(11)**	(14)	+21.3%	+16.4%		
Other**	**(10)**	–	n/a	n/a		
Turkey (50% JV)	**7**	9	(22.3)%	+8.8%		
Other International (ex-Russia)	**133**	144	(6.8)%	+1.0%		
Russia	**–**	(3)	(100.0)%	(100.0)%		
Other International	**133**	141	(5.8)%	+2.1%		
Retail profit margin %						
Poland	**8.8%**	9.4%	(60)bps	(60)bps		
Other International (ex-Russia)	**6.1%**	6.8%	(70)bps	(60)bps		
Other International	**6.1%**	6.2%	(10)bps	–		

* Kingfisher's subsidiary in Romania has historically prepared its financial statements to 31 December. In FY 21/22, Romania migrated to Kingfisher's financial reporting calendar (year ended 31 January 2022). Its sales and retail loss presented therefore include one additional month of results (January 2022) in order to facilitate the alignment to Kingfisher's financial reporting calendar. Reported and constant currency variances for Romania's sales and retail loss are for January 2021 to January 2022 (compared against January to December 2020), whilst LFL and 2-year LFL sales growth for Romania compares February 2021 to January 2022 to the equivalent periods in prior years. Romania's LFL sales growth in the month of January 2021 was 22.2%.

** 'Other' consists of the consolidated results of NeedHelp (acquired in November 2020), Screwfix International (launched online in France in April 2021), and results from franchise agreements.

Other International (ex-Russia) total sales increased by 10.3% (LFL +5.5%) to £2,180m, with 2-year LFL sales up 9.2%, driven by growth in all key geographies. Retail profit increased by 1.0% to £133m, with improved performances in Iberia, Romania and Turkey offset by a lower retail profit in Poland and losses incurred in 'Other' operations. Including Russia's retail loss in FY 20/21 (disposal completed on 30 September 2020), **Other International** retail profit increased by 2.1% and the retail profit margin % was broadly flat at 6.1%.

Sales in **Poland** increased by 5.0% (LFL +0.3%) to £1,525m, with 2-year LFL sales up 5.3%. Space growth contributed c.5% to total sales. Most categories traded well on a 2-year basis, in particular kitchens (up 41%) with the new OEB kitchen range landing well. We saw a strong recovery in demand from Q2 21/22 onwards following the closure of all Castorama stores between 27 March and 3 May 2021. These temporary store closures had a net impact of c.-6% on FY 21/22 LFL sales. LFL sales of weather-related categories increased by 1% (increase of 11% on a 2-year LFL basis) while sales of non-weather-related categories, including showroom, were broadly flat (increase of 4% on a 2-year LFL basis). Poland's e-commerce sales continued to grow strongly in FY 21/22, increasing by 39% (up 276% on a 2-year basis), representing c.5% of total sales (FY 20/21: 4%; FY 19/20: 2%). Gross margin % increased by 50 basis points, largely reflecting our effective management of inflation. Retail profit decreased by 1.5% to £135m with growth in gross profit (impacted by temporary store closures in H1) more than offset by an increase in operating costs of 10.0%. Operating costs increased largely due to space growth and new store opening costs, staff costs (annualisation of Covid-related employment support received in the prior year), costs associated with the new Polish retail sales tax (effective from January 2021) and inflation. The increase in operating costs was partially offset by cost savings related to the period of temporary store closures and cost reductions achieved as part of our strategic cost reduction programme. A record of seven new stores were opened in the year, including three big-boxes, two medium-boxes and two compact format stores.

In **Iberia**, sales increased by 23.2% (LFL +23.2%) to £366m, with 2-year LFL sales up 14.6%. This reflects strong demand, with double-digit LFL sales growth in all categories. Retail profit increased to £12m from £3m, reflecting strong growth in gross profit, partially offset by an increase in operating costs of 19.6%.

Romania's total sales and retail loss include one additional month of results (January 2022) in order to facilitate the alignment to Kingfisher's financial reporting calendar. Sales increased by 22.8% (LFL +15.0%) to £279m, with 2-year LFL sales up 28.0%, reflecting strong demand despite the impact of Covid-related trading restrictions, particularly in H2. Growth in gross profit was partially offset by higher operating costs, mainly driven by inflation, staff costs and higher costs associated with strong trading. As a result, the business reduced its retail loss by 16.4% to £11m (FY 20/21: £14m reported retail loss; FY 19/20: £23m reported retail loss). On a comparable basis, excluding losses incurred in the additional month of January 2022, the retail loss would have been £8m, a c.35% reduction from FY 20/21. Please refer to the *'Operational status summary'* within Section 1 for details of Covid-related restrictions imposed in Romania.

As previously announced, Kingfisher completed the sale of Castorama **Russia** on 30 September 2020. FY 21/22 Group sales were impacted by c.-1.5% from the YoY reduction in space related to Russia.

In Turkey, Kingfisher's 50% joint venture, Koçtaş, contributed £7m of retail profit (FY 20/21: £9m) despite a high inflation environment and temporary closure of all stores on weekends in H1 21/22 due to Covid-related restrictions.

'Other' consists of the consolidated results of **NeedHelp, Screwfix International**, and **franchise** agreements. Due to these businesses being in their early investment phase, a combined retail loss of £10m was incurred as they scale up for growth. In November 2020, Kingfisher acquired **NeedHelp**, one of Europe's leading home improvement services marketplaces. As part of its broader international expansion plans, **Screwfix** launched in France as a pure-play online retailer in April 2021, and expects to open its first stores in France in H2 22/23. Following the year-end, we opened our first **franchise** store under the B&Q banner in the Middle East in February 2022, with one further store due to open in Q2 22/23. The stores and support office functions are fully operated and staffed by the Al-Futtaim Group.

Financial review

A summary of the reported financial results for the year ended 31 January 2022 is set out below.

Financial summary

	2021/22	2020/21	% Total Change Reported	% Total Change Constant currency	% LFL Change Constant currency
Sales	**£13,183m**	£12,343m	+6.8%	+9.7%	+9.9%
Gross profit	**£4,935m**	£4,573m	+7.9%	+10.6%	
Gross margin %	**37.4%**	37.1%	+30bps	+30bps	
Operating profit	**£1,144m**	£916m	+24.7%		
Statutory pre-tax profit	**£1,007m**	£756m	+33.1%		
Statutory post-tax profit	**£843m**	£592m	+42.3%		
Statutory basic EPS	**40.3p**	28.1p	+43.4%		
Net (decrease)/increase in cash[1]	**£(237)m**	£881m	n/a		
Total dividend	**12.40p**	8.25p	+50.3%		
Adjusted metrics					
Retail profit	**£1,148m**	£1,003m	+14.5%	+16.7%	
Retail profit margin %	**8.7%**	8.1%	+60bps	+50bps	
Adjusted pre-tax profit	**£949m**	£786m	+20.9%		
Adjusted pre-tax profit margin %	**7.2%**	6.4%	+80bps		
Adjusted post-tax profit	**£737m**	£604m	+22.0%		
Adjusted basic EPS	**35.2p**	28.7p	+22.6%		
Free cash flow	**£385m**	£938m	(59.0)%		
Net debt[2]	**£(1,572)m**	£(1,394)m	(12.7)%		

1. Net (decrease)/increase in cash and cash equivalents and bank overdrafts.
2. Net debt includes c.£2.4bn lease liabilities under IFRS 16 in FY 21/22 (FY 20/21: c.£2.4bn).

Total **sales** increased by 9.7% on a constant currency basis, to £13,183m, largely driven by a strong sales performance in the UK and France. On a reported basis, which includes the impact of exchange rates, total sales increased by 6.8%.

LFL sales increased by 9.9%, which excludes the sales impact from a net reduction in space of -0.2%, with space growth in the UK and France offset by the space annualisation impact from the disposal of Russia in September 2020. During FY 21/22, we opened 90 new stores (including 69 stores in the UK, 12 in Ireland, seven in Poland and two in France) and closed two stores in the UK.

Gross margin % increased by 30 basis points on a constant currency basis, reflecting our effective management of inflation, logistics and inventory holding cost savings, and the disposal of Russia. This was partially offset by upweighting of promotions and trading events in France, and changes in category and channel mix. On a reported basis, gross margin % also increased by 30 basis points.

Reported **retail profit** increased by 14.5% including £19m of unfavourable foreign exchange movement on translating foreign currency results into sterling. £15m of this movement came in the second half of the year. In constant currency, retail profit increased by 16.7%, driven by a strong performance in all key markets. The Group's strong gross profit performance (an increase of 10.6% in constant currency) was partly offset by higher operating costs. **Operating costs** increased by 8.9% on a constant currency basis, largely reflecting higher costs associated with strong trading (including headcount increases and higher staff incentives), inflationary increases, new store openings, higher digital costs (including the impact of software accounting changes) and the reversal of some temporary cost measures implemented in FY 20/21 (e.g. advertising and marketing); partially offset by the delivery of strategic cost reduction initiatives, the annualisation of cost benefits from the disposal of Russia and the permanent closure of eight Castorama France stores, both in FY 20/21.

Statutory pre-tax profit, which includes adjusting items, increased by 33.1% to £1,007m. This reflects higher operating profit, lower net finance costs and more favourable adjusting items before tax.

A reconciliation from the adjusted basis to the statutory basis for pre-tax profit is set out below:

	2021/22 £m	2020/21 £m	Increase/ (decrease)
Retail profit (constant currency)	**1,148**	984	16.7%
Impact of exchange rates	**–**	19	n/a
Retail profit (reported)	**1,148**	1,003	14.5%
Central costs	**(60)**	(54)	n/a
Share of interest and tax of joint ventures & associates	**(2)**	(3)	n/a
Net finance costs	**(137)**	(160)	n/a
Adjusted pre-tax profit	**949**	786	20.9%
Adjusting items before tax	**58**	(30)	n/a
Statutory pre-tax profit	**1,007**	756	33.1%

Net finance costs of £137m (FY 20/21: £160m) consist principally of interest on IFRS 16 lease liabilities. Net finance costs decreased due to lower interest on lease liabilities and debt repayments.

Adjusting items after tax were a gain of £106m (FY 20/21: charge of £12m), as detailed below:

	2021/22 £m Gain/(charge)	2020/21 £m Gain/(charge)
Net store asset impairment reversals	**33**	42
Release of France and other restructuring provisions	**9**	–
Commercial operating model restructuring	**4**	(16)
Release of France uncertain operating tax position	**9**	–
Russia impairments & other exit costs	**–**	(27)
Property gains	**3**	13
Release of B&Q China disposal warranty liability	**–**	10
IT asset write-downs and related costs	**–**	(3)
Loss on disposal of Castorama Russia	**–**	(49)
Adjusting items before tax	**58**	(30)
Prior year and other adjusting tax items	**48**	18
Adjusting items after tax	**106**	(12)

The Group no longer uses the term ‘exceptional adjusting items’ within its Alternative Performance Measure definitions, with the term ‘adjusting items’ now judged to be more appropriate. This represents a change in terminology and presentation only, with no impact on adjusted or statutory performance measures. Refer to note 2 of the consolidated financial statements.

Revised future store performance projections, reflecting continued strong trading, have resulted in net store asset impairment reversals of £33m. These are predominately reversals of impairment charges recorded in FY 19/20.

Current year adjusting items include a £9m credit principally arising due to savings on costs relating to legacy store closure programmes in France, as compared with the original restructuring provisions recognised. In the prior year, the Group commenced formal consultation with colleague representatives regarding its proposal to implement a new commercial operating model.

A credit of £4m was recognised in the year due to cost savings as compared with the original restructuring provisions recognised.

A £9m liability that was held in relation to an uncertain operating tax position in France was released in the year. This formed part of a liability of £26m that had been recorded as an adjusting item in FY 19/20.

A profit of £3m has been recorded on the exit of two properties in the UK and one property in France.

Prior year and other adjusting tax items relate principally to the impact on deferred tax balances of the enacted future increase in the UK tax rate and a release of prior year provisions for uncertain tax positions. Refer to note 10 of the consolidated financial statements.

Taxation

The Group's adjusted effective tax rate is sensitive to the blend of tax rates and profits in the Group's various jurisdictions. It is higher than the UK statutory rate because of the amount of Group profit that is earned in higher tax jurisdictions. The adjusted effective tax rate, calculated on profit before adjusting items, prior year tax adjustments and the impact of future rate changes, is 22% (FY 20/21: 23%). The reduction from the prior year is a combination of the sale of the loss-making Russian business and a reduction in the French tax rate.

The statutory effective tax rate includes the impact of adjusting items (including prior year tax items). The impact of these lower the rate from 22% to 16%. This mainly reflects the revaluation of UK deferred tax balances due to the enacted future UK tax rate increase, as well as the applicable tax treatment of adjusting items, and the release of prior year provisions which reflect a reassessment of expected outcomes, agreed positions with tax authorities and items that have time-expired.

	Pre-tax profit £m	**Tax £m**	**2021/22 %**	Pre-tax profit £m	Tax £m	2020/21 %
Adjusted effective tax rate	**949**	**(212)**	**22%**	786	(182)	23%
Adjusting items	**58**	**48**		(30)	18	
Statutory effective tax rate	**1,007**	**(164)**	**16%**	756	(164)	22%

The Group has been impacted by the European Commission's state aid decision published in April 2019, concerning the UK's controlled foreign company rules. Along with the UK government and other UK-based international companies, Kingfisher has appealed the decision to the European courts. In FY 21/22 Kingfisher paid £64m (including interest) to HMRC in relation to the state aid decision. The full amount is being contested and is recorded as a receivable. Refer to note 37 of the consolidated financial statements.

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

	Statutory tax rate 2022/23	Statutory tax rate 2021/22
UK	19%	19%
France	26%	28%
Poland	19%	19%

Adjusted basic earnings per share increased by 22.6% to 35.2p (FY 20/21: 28.7p), which excludes the impact of adjusting items. **Basic earnings per share** increased by 43.4% to 40.3p (FY 20/21: 28.1p) as set out below:

	Earnings[1] £m	**2021/22 EPS pence**	Earnings[1] £m	2020/21 EPS pence
Adjusted basic earnings per share	**737**	**35.2**	604	28.7
Adjusting items before tax	**58**	**2.8**	(30)	(1.4)
Prior year and other adjusting tax items	**48**	**2.3**	18	0.8
Basic earnings per share	**843**	**40.3**	592	28.1

1. Earnings figures presented reconcile adjusted post-tax profits to statutory post-tax profits.

Tax contribution

Kingfisher makes a significant economic contribution to the countries in which it operates. In 2021/22 it contributed £2.4 billion in taxes it both pays and collects for these Governments. The Group pays tax on its profits, its properties, in employing 82, 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 taxes paid as a result of Group operations

	2021/22 £bn	2020/21* £bn
Taxes borne	**0.8**	0.7
Taxes collected	**1.6**	1.5
Total tax contribution	**2.4**	2.2

* 2020/21 comparatives are presented on a constant currency basis

Both current and prior year figures exclude the tax contribution of discontinued operations

Kingfisher participates in the Total Tax Contribution survey that PwC perform for the Hundred Group of Finance Directors. The 2021 survey ranked Kingfisher 23rd (2020: 26th) for its Total Tax Contribution in the UK. In 2021, 95 (2020: 97) companies contributed to the survey.

Taxation governance and risk management

The Kingfisher Code of Conduct applies high standards of transparency, honesty and fairness to our employees and suppliers. The Code requires that we carry out our work ethically and in compliance with the law. We have a zero-tolerance approach to tax evasion and the facilitation of tax evasion. These principles underpin our approach to tax. Our core tax objectives are to pay the right amount of tax at the right time and to comply with all relevant tax legislation in all Group entities. Kingfisher undertakes its activities and pays tax in the countries in which it operates in compliance with the local and worldwide tax rules. These tax objectives are met through the application of the Group Tax Standards and the published Kingfisher Tax Strategy, which are Board approved, as well as other relevant Group policies and standards, which document our approach to tax compliance, tax risk management and tax planning to ensure that consistent minimum standards are observed throughout the Group.

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 Board and the Audit Committee on all tax matters.

Tax risks can arise from changes in law, differences in interpretation of law and the failure to comply with the applicable rules and procedures. The Group seeks to take a balanced approach to tax risk having regard to the interests of all stakeholders including investors, customers, staff and the governments and communities in the countries in which it operates. As a multinational group, operating in an increasingly complex and changing international corporate tax environment, some risk is unavoidable.

Kingfisher manage and control this risk through local management, the tax specialists that it employs and agile monitoring of changes in law and interpretation of law. The Group may engage with reputable professional firms on areas of significant complexity, uncertainty or materiality, to support it in complying with its tax strategy. Group companies work within a tax controls framework, and compliance with this is monitored by the Internal Audit and Risk team.

The Group seeks to engage with tax authorities with professionalism, honesty and respect. It works with all tax authorities in a timely and constructive manner to resolve disputes where they arise, although it is prepared to litigate where this is not possible.

Dividends

The Board has proposed a final dividend per share of 8.60p (FY 20/21 final dividend: 5.50p). Taken alongside the interim dividend already paid of 3.80p (FY 20/21 interim dividend: 2.75p), this results in a proposed total dividend per share of 12.40p in respect of FY 21/22, which is 50.3% higher than the prior year (FY 20/21: 8.25p). The final dividend is subject to the approval of shareholders at the Annual General Meeting on 22 June 2022, and will be paid on 27 June 2022 to shareholders on the register at close of business on 20 May 2022.

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 19 May 2022. For those shareholders electing to receive the DRIP the last date for receipt of election is 6 June 2022.

For further details on our dividend policy, please refer to *'Capital allocation'* within Section 2.

Management of balance sheet and liquidity risk and financing

Management of cash and debt facilities
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 medium term, 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 and/or unexpected impacts to cash inflows. To retain financial flexibility, we aim to maintain strong liquidity headroom (including cash and cash equivalents, and committed debt facilities), which is currently set at a minimum of £1bn.

Net debt to EBITDA
As of 31 January 2022, the Group had £1.6bn (FY 20/21: £1.4bn) of net debt on its balance sheet including £2.4bn (FY 20/21: £2.4bn) of total lease liabilities.

The ratio of the Group's net debt to EBITDA was 1.0 times as of 31 January 2022 (0.9 times as of 31 January 2021). At this level, the Group has the necessary financial flexibility during this current period of heightened uncertainty, whilst retaining an efficient cost of capital.

Over the medium term, the Group's objective is a target of a maximum of c.2.0 times net debt to EBITDA. For further details, please refer to *'Clear financial priorities and drivers'* within Section 2.

Net debt to EBITDA is set out below:

	2021/22 £m	2020/21 £m
Retail profit	1,148	1,003
Central costs	(60)	(54)
Depreciation and amortisation	555	536
EBITDA	1,643	1,485
Net debt	1,572	1,394
Net debt to EBITDA	1.0	0.9

Credit ratings
Kingfisher holds a BBB credit rating with Fitch, (P) Baa2 rating with Moody's, and a BBB rating with Standard and Poor's. The Outlook is Stable across all three agencies.

Revolving credit facility
In May 2021 the Group entered into a new £550m three-year revolving credit facility (RCF) agreement with a group of its relationship banks, linked to sustainability and community-based targets. The credit facility expires in May 2024 and replaced the two previous facilities (£225m that was due to expire in March 2022 and £550m, most of which was due to expire in August 2023), which were cancelled in June 2021. As of 31 January 2022, this RCF was undrawn.

Other borrowings
The Group repaid its €50m and £50m fixed term loans at maturity in September 2021 and December 2021 respectively.

Covenants
The terms of the committed RCF require that the ratio of Group operating profit (excluding adjusting items) to net interest payable (excluding interest on IFRS 16 lease liabilities) must be no less than 3:1 for the preceding 12 months as at the half and full year-ends. As of 31 January 2022, Kingfisher's ratio was higher than this requirement.

Total liquidity
As of 31 January 2022, the Group had access to over £1.3bn in total liquidity, including cash and cash equivalents of over £800m and access to a £550m RCF. Further detail on Kingfisher's debt and facilities can be found at www.kingfisher.com.

Free cash flow

A reconciliation of free cash flow is set out below:

	2021/22 £m	2020/21 £m
Operating profit	**1,144**	916
Adjusting items	**(58)**	30
Operating profit (before adjusting items)	**1,086**	946
Other non-cash items[1]	**595**	570
Change in working capital	**(215)**	376
Pensions and provisions	**(31)**	(29)
Net rent paid	**(480)**	(456)
Operating cash flow	**955**	1,407
Net interest paid	**(4)**	(22)
Tax paid	**(169)**	(166)
Gross capital expenditure	**(397)**	(281)
Free cash flow	**385**	938
Ordinary dividends paid	**(254)**	–
Share buybacks	**(157)**	–
Share purchase for employee incentive schemes	**(29)**	(14)
Disposal of Castorama Russia and acquisition of NeedHelp	**7**	19
Other tax authority payments[2]	**(64)**	–
Disposal of assets and other[3]	**(28)**	(1)
Net cash flow*	**(140)**	942
Opening net debt	**(1,394)**	(2,526)
Movements in lease liabilities	**7**	163
Other movement including foreign exchange	**(45)**	27
Closing net debt	**(1,572)**	(1,394)

1. Includes principally depreciation and amortisation, share-based compensation charge and pension operating cost.
2. Payments made in relation to the EC state aid challenge (refer to the Taxation section above for further details).
3. Includes adjusting cash flow items, principally comprising restructuring costs and settlement of interest relating to legacy tax positions; offset by property disposals.

Operating profit (before adjusting items) was £140m higher than last year, largely reflecting higher profits in the UK & Ireland and France.

The working capital outflow of £215m was driven by an increase in net stock of £359m. This reflects the impact of inflation, store expansion, and the Group's focus in FY 21/22 on rebuilding inventory levels and placing orders significantly ahead of peak trading periods and important global events, such as the Chinese New Year (which was earlier this year, at the end of January 2022). The Group had exceptionally low inventory in the prior year, caused by Covid-related delays of orders, and strong sales. Partially offsetting this was a £144m increase in payables (net of receivables), largely reflecting the timing of inventory and GNFR purchases.

Gross capital expenditure in FY 21/22 was £397m, increasing by 41% (FY 20/21: £281m). Following the onset of the pandemic in FY 20/21, capital expenditure was largely limited to essential areas, and as a result approximately £70m was deferred to FY 21/22. Of the expenditure in FY 21/22, 34% was invested on refreshing, maintaining and adapting existing stores (including renewable energy initiatives), 16% on new stores, 26% on technology and digital development, 9% on range reviews and 15% on other areas including supply chain investment.

Overall, free cash flow for FY 21/22 was £385m (FY 20/21: £938m).

Financial review continued

Net debt (including IFRS 16 lease liabilities) as of 31 January 2022 was £1,572m (FY 20/21: £1,394m).

A reconciliation of free cash flow and net cashflow to the statutory net increase in cash and cash equivalents and bank overdrafts is set out below:

	2021/22 £m	2020/21 £m
Free cash flow	**385**	938
Ordinary dividends paid	**(254)**	–
Share buybacks	**(157)**	
Share purchase for employee incentive schemes	**(29)**	(14)
Disposal of Castorama Russia and acquisition of NeedHelp	**7**	19
Other tax authority payments[1]	**(64)**	–
Disposal of assets and other[2]	**(28)**	(1)
Net cash flow	**(140)**	942
Repayment of bank loans	**(2)**	(1)
Issue of fixed term debt	**–**	1,950
Repayment of fixed term debt	**(95)**	(2,011)
Receipt on financing derivatives	**–**	1
Net (decrease)/increase in cash and cash equivalents and bank overdrafts	**(237)**	881

1. Payments made in relation to the EC state aid challenge (refer to the Taxation section above for further details).
2. Includes adjusting cash flow items, principally comprising restructuring costs and settlement of interest relating to legacy tax positions; offset by property disposals.

Return on capital employed (ROCE*)

In FY 21/22, Kingfisher's post-tax ROCE was 14.6% (FY 20/21: 12.7%). The increase was mainly driven by higher profit in the UK & Ireland and France, partially offset by the impact of higher working capital on capital employed. Kingfisher's weighted average cost of capital (WACC) is 7.6%.

ROCE by geographic division is analysed below (Russia is excluded from FY 20/21):

	Sales £bn	Proportion of Group sales	Capital employed (CE) £bn	Proportion of Group CE	**ROCE 2021/22**	ROCE 2020/21
UK & Ireland	6.5	49.3%	2.8	49.3%	**22.6%**	19.6%
France	4.5	34.1%	1.6	28.3%	**9.7%**	7.0%
Other International	2.2	16.6%	1.2	20.3%	**9.3%**	9.3%
Central			0.1	2.1%		
Total	13.2		5.7		**14.6%**	12.7%

Capital Risk Management

The Group's objectives when managing capital are:

- to invest in the business where economic returns are attractive
- to retain financial flexibility
- to provide attractive returns to shareholders
- to target a solid investment grade credit rating; and
- over the medium term, to maintain a target of c.2.0 times net debt to EBITDA on an IFRS 16 basis

The Group manages its capital through:

- a continued focus on free cash flow generation;
- setting the level of capital expenditure and dividend in the context of its current year trading outlook 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 Designated Activity Company (Ireland), a wholly owned subsidiary, is subject to minimum capital requirements as a consequence of its insurance activities. The Group complied with the externally imposed capital requirements during the year.

Property

Kingfisher owns a significant property portfolio, almost all of which is used for trading purposes. A valuation was performed for internal purposes in October 2021 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 £2.8bn as of 31 January 2022 (FY 20/21: £2.7bn).

	2021/22 £bn	**2021/22 Yields**	2020/21 £bn	2020/21 Yields
France	**1.3**	**8.0%**	1.4	8.3%
UK	**0.6**	**6.2%**	0.5	6.9%
Poland	**0.7**	**7.6%**	0.6	7.9%
Other	**0.2**	**n/a**	0.2	n/a
Total	**2.8**		2.7	

This is compared to the net book value of £2.2bn (FY 20/21: £2.2bn) recorded in the financial statements (including investment property and property included within assets held for sale). Balance sheet values were frozen at 1 February 2004 on the transition to IFRS.

Pensions

As of 31 January 2022, the Group had a net surplus of £410m (FY 20/21: £359m net surplus) in relation to defined benefit pension arrangements, of which a £540m surplus (£504m surplus as of 31 January 2021) was in relation to the UK scheme. The net surplus has increased, mainly due to a higher discount rate (net of inflation), reducing scheme liabilities, and employer contributions. This accounting valuation is sensitive to a number of assumptions and market rates which are likely to fluctuate in the future. Refer to note 28 of the consolidated financial statements.

In July 2021, the Kingfisher Pension Scheme purchased a pensioner buy-in policy with an insurer for £902m. The Scheme has now insured around 35% of the pension scheme liabilities. The buy-in policy covers specific pensioner liabilities and passes risk to an insurer in exchange for a fixed premium payment, thus reducing the Group's exposure to changes in longevity.

Risks

Risk management

Effective risk management is critical to our ability to achieve our strategic and operational objectives. We have a detailed risk framework in place that ensures the Board has sufficient visibility of the principal risks and the opportunity to regularly review our mitigating controls and actions. The Group Executive is accountable for identifying, assessing and managing the principal risks and for reviewing and assessing the management of the retail banner and Group function risks. The Governance framework and the role of the Board, Audit Committee and Group Executive are discussed from page 58.

To **identify our risks,** we consider our strategic objectives and what might stop us achieving them over the three-year period. We combine a top-down strategic view with a bottom-up operational view of the risks. Our retail banners and Group functions, help us to identify changes to the risks within their operations. These are consolidated and used as one of the inputs to identify and validate our principal risks. Discussions are also held with the Group Executive and non-executive directors.

To **assess our risks,** we consider the potential financial, reputational, regulatory or operational impact, as well as the probability of them materialising within our outlook period. This helps us to create the right actions and controls to manage our risks to an acceptable level. For each of the principal risks, we also assess any change to the risk level compared to last year.

To **manage our risks,** ownership is assigned at all levels. Each retail banner and Group function is responsible for putting appropriate actions, controls and procedures in place to manage and monitor their identified risks and to verify that the controls operate effectively.

To effectively **monitor our risks,** the Group Executive and Board review the nature, likelihood and impact of the Group's principal risks twice a year together with any changes since the previous review. This includes mitigating actions to ensure that these risks are proactively managed. The Board also considered risk appetite statements during the year.

We extensively reviewed our internal control framework this year, to strengthen our control environment, primarily focussing on financial risks. Dedicated Risk & Control Managers were introduced in the retail banners, Group functions and shared services to implement the revised framework and monitor ongoing effectiveness of our controls.

The Internal Audit team considered the risks at the operational and Group level as part of its audit planning. This provides a broad level of assurance across the business. Improvements to the risk management process this year have also supported Internal Audit to deliver a more risk-focused assurance programme.

Risk appetite

This year, our risk appetite was comprehensively reviewed and detailed appetite statements were approved by the Board. We looked closely at all key operational activities to understand where we actively choose to pursue opportunities that give rise to risks, where we balance risks with the cost of mitigation, and where we are unwilling to accept risks. We have captured examples to make the statements practical and by focussing on activities, believe we have provided broader coverage than if we had focused on principal risks. The activities were rated on a five-point scale from 'averse' to 'eager'.

There is clear alignment between the activities where we have a greater appetite to pursue riskier activities, mostly related to market opportunities, and our strategic priorities. Those activities where we are 'averse' or have 'minimal' risk appetite offer little commercial advantage or represent material legal, regulatory or reputational risk. There are a small number of activities where risk reduction actions are underway and being closely monitored to ensure the level of risk is in line with our appetite.

We will use these statements as part of the ongoing risk management process to identify where the level of control is not aligned with the relevant risk appetite. This will be reviewed in close collaboration with the banners and Group functions.

Principal risks

Our extensive risk review identified no new principal risks in the year. However, there have been some changes in the risk profiles, primarily due to the progress made in delivering our strategy and changes in the external operating environment. These are reflected in the descriptions of risks and mitigating actions.

We are closely monitoring the developing situation in Ukraine. Following the sale of Castorama Russia in 2020, we have no direct operational exposure to Russia. The remaining balance sheet or Russian Rouble positions are immaterial.

All principal risks are given significant attention and focus. However, we believe the highest severity risks are:

- Cyber and data security.
- Changing customer preferences.
- Level and impact of change.

The key changes this year are:

Cyber and data security: This risk has increased since last year, due to the growing number of incidents being reported and the wider availability of tools and techniques capable of causing disruption to our systems and operations.

Political and market volatility: This risk has increased since last year, due to the economic and political volatility we are seeing across all our markets, with higher material, energy and labour costs, which potentially leads to higher interest rates and decreased consumer spending. A continued conflict in Eastern Europe would negatively impact energy and commodity prices and could limit the availability of certain raw materials.

Level and impact of change: This risk has decreased since last year. Organisational structure changes have been successfully implemented and the strategic priorities are ahead of schedule. However, we have accelerated our investment programme, which requires significant levels of technology development and implementation.

The **contagious diseases** risk has been retained as a separate risk, due to the continued uncertainty around new variants of Covid and the potential for further government-imposed restrictions, supply chain disruption and colleague absence.

Principal risks are shown on pages 44 to 48.

Emerging risks

As part of our risk management process, we identify and monitor emerging risks. These risks are currently difficult to fully assess and quantify, or are expected to materialise outside our defined outlook period.

This year, a more formalised process across our retail banners considered what they were doing to better understand or mitigate emerging risks. This has improved our knowledge and will be regularly reviewed.

We have renamed the **environment** emerging risk to **climate change**, to reflect the broader nature of this risk and recognise it was a recurring theme across the discussions. It is retained as an emerging risk because, although it already affects us, the operational impacts are not deemed significant within our defined outlook period. The **reputation and trust** principal risk addresses the more immediate reputational risk of failing to deliver on our climate change commitments.

Climate change: This has the potential to impact the availability and cost of our raw materials, our operations (including our logistics network and stores), our suppliers and our customers, as well as presenting regulatory and societal risks.

The work of the Responsible Business team to better understand the current and potential impacts of climate change on our businesses and to develop our monitoring and mitigation plans is discussed on pages 23 to 29.

Principal Risks

Key: Increasing No change Decreasing

Our People

Our colleagues are critical to the successful delivery of our 'Powered by Kingfisher' strategy. We have rebalanced responsibilities between Group and banners to set the right conditions for our individual banners to grow while leveraging the Group's scale and expertise to meet customer needs.

Our accelerated investment programme requires an expansion of our technical capabilities. More generally, the failure to attract, retain and develop colleagues with the appropriate skills, capabilities and diverse backgrounds, or to have adequate succession plans, could impact our ability to meet our business objectives.

How our risks have changed

No change

Although recruitment has become increasingly competitive as economies recover, we have successfully implemented our organisational structure changes and have plans in place to address our future resource requirements.

Link to strategic priorities

- Grow e-commerce sales
- Build a mobile-first and service orientated customer experience
- Differentiate and grow through own exclusive brands (OEB)
- Lead the industry in Responsible Business practices

How we manage and monitor the risk

- The Board has approved our Group strategy for people and culture, with individual priorities agreed for each banner and function.
- The Group Executive and Board hold regular talent reviews focused on ensuring the senior leadership group has the required capabilities to deliver the strategy and on activities to strengthen our leadership succession pipeline.
- We have a formal Technology Capability programme in place to ensure continued focus and progress on acquiring and retaining critical skills. A new Technology careers webpage has been launched, which has increased the level of traffic to our site.
- We have refreshed the Employer Brand in the UK retail banners and are in the process of extending and aligning this across the wider Group.
- We invest in tools and infrastructure to support our colleagues' learning, including a leadership development portal for bite-size instant learning and e-learning for our store teams on new products.
- We have identified and agreed the key leadership requirements and behaviours to accelerate delivery of our strategy and target culture which we define as agile, inclusive and led by trust. These behaviours will become the cornerstone of our work on leadership hiring, talent management and leadership development.
- Each banner has a tailored diversity and inclusion plan. Areas of focus are our senior leadership, creating a culture of inclusion, our customer proposition and learning for life. Relevant targets are linked to the remuneration of senior leaders.
- The physical and mental wellness of our colleagues has remained a priority during the year through communications and the provision of external support (e.g. mental health awareness training for line managers). We continue to check in on how colleagues are feeling through our annual colleague survey.

Level and Impact of Change

Under our strategic plan 'Powered by Kingfisher', the business is utilising its core strengths and commercial assets, and 'powering' its distinct retail banners to address the significant growth opportunities that exist within the home improvement market. We have high ambitions and we are continuously improving our offer, market positions, cost base and technology. In particular, we are rolling out a Group-wide IT systems development programme.

Where relevant we may also consider complementary acquisitions, partnerships and joint ventures to optimise our business activities and support our strategy.

Failure to properly prioritise activity and manage change effectively could result in weaker than anticipated sales growth, reduced operating margins or insufficient cash being generated to meet our objectives.

How our risks have changed

Decreased

The planned organisational structure changes have been implemented and we have made significant progress on our strategic priorities.

Link to strategic priorities

- Grow e-commerce sales
- Build a mobile-first and service orientated customer experience
- Differentiate and grow through own exclusive brands (OEB)
- Test compact store concepts and adapt our store footprint
- Source and buy better, reduce costs and same-store inventory
- Lead the industry in Responsible Business practices
- Expand engagement with trade customers

How we manage and monitor the risk

- Our 'Powered by Kingfisher' strategy has been clearly articulated to all colleagues and externally validated by a global consultancy business.
- A new balanced and simpler local-group operating model has been implemented.
- The Board has approved three-year plans for each banner and Group Function to deliver the strategy.
- A central Results Delivery Office provides monthly reporting to the Group Executive and quarterly to the Board, based on a set of c.50 KPIs, measuring the implementation and effectiveness of strategic initiatives.
- Each of our key strategic pillars is led and monitored by one of our banners or Global Functions, with monthly review points with the Group Executive sponsor.
- Annual in-depth strategic review and six-monthly strategic performance updates performed with the Board, addressing the agreed priorities and making changes where appropriate.
- Technology directors have been appointed in our retail banners to provide more local flexibility while leveraging the scale of our wider Group Technology organisation.
- Regular communication with all colleagues on the delivery of the strategy, key changes being made and forthcoming business developments.
- Periodic reviews of governance and enabling activities undertaken by Internal Audit.
- We have a dedicated M&A function, with accountability resting with the CFO. M&A activity exceeding £10 million in value requires Kingfisher plc Board scrutiny and approval.

3

Contagious Diseases

Over the past two years, Kingfisher has demonstrated its ability to navigate the challenging operational impacts of the pandemic, retaining good product availability and operating safely. With the emergence of new more transmissible variants, the risk of a prolonged global health threat and associated government restrictions remains, which could adversely affect our operations and those of our partners and suppliers. This could cause a significant reduction in footfall and consumer spending and could negatively impact our ability to receive products from affected suppliers. High levels of absence in either our workforce or our suppliers could impact our ability to operate stores and warehouses, deliver products or provide appropriate functional support to our business.

Such restrictions and/or reductions in demand could adversely affect our financial results and the financial condition of the Group.

How our risks have changed

No change

There has been significant progress in the rollout of vaccines and in medical treatments over the past year. We also have procedures in place to protect our colleagues and customers while continuing to trade. However, uncertainty still remains over new variants, and the possible reimposition of Covid-related restrictions.

Link to strategic priorities

– Lead the industry in Responsible Business practices

How we manage and monitor the risk

– The health and safety of our colleagues and customers remains our top priority, alongside supporting governments to limit the spread of the virus. We have maintained strict hygiene and appropriate social distancing measures in our stores. We significantly invested in PPE to ensure availability for our staff, deep cleaned stores where required and allowed staff to self-isolate while continuing to be paid.

– We have communicated regularly to colleagues and customers, providing reassurance and responding to common concerns.

– Our Group Crisis Committee has met at least fortnightly throughout the year in response to the pandemic, with representation from banners and functions. The Committee monitors events, changes in governments' approaches and response strategies. The Board provides regular oversight to evaluate the impact of Covid on Kingfisher.

– We have liaised closely with governments to ensure we can continue to provide home improvement while playing our role to limit transmission of the disease.

– We have ensured that our office-based colleagues are able to work from home, in line with local governmental guidance, with access to appropriate equipment. Ongoing line manager training and mental health 'wellness' awareness has been provided for working in this way.

– We have business continuity and crisis teams in each of our markets, who we would mobilise in the event of any future significant operational impact.

– If required, we are able to significantly reduce discretionary spend (including freezing pay reviews, delaying bonus payments and/or recruitment), stop all non-committed capital expenditure, reprioritise sourcing requirements and adjust purchasing plans.

– We regularly monitor customer, colleague and stakeholder sentiment through social media and colleague feedback. This output influences the operational decisions we take.

4

Supply Chain Resilience

A resilient supply chain is key to our business and the achievement of our strategic objectives. We are dependent on complex global supply chains and fulfilment solutions to deliver our products to our customers. There has been significant disruption caused by the pandemic with congestion at ports and an increased demand for containers. The pandemic has also caused operational difficulties for our suppliers, testing their ability to respond quickly to changes in demand. Major disruption to our supply chain could result in reduced levels of product available for sale, with an adverse financial and reputational impact.

How our risks have changed

No change

There have been continued challenges to our supply chain as a result of the pandemic. However, capacity has increased and would be able to meet demand were it not for disruption at key points in the network.

Link to strategic priorities

– Grow e-commerce sales

– Source and buy better, reduce costs and same-store inventory

– Expand engagement with trade customers

How we manage and monitor the risk

– Our Supply and Logistics three-year roadmap was updated in 2021/22. It considers our future logistics capacity needs based upon the various sourcing, inventory and sales generative strategies identified in the Group's strategic planning activities.

– Business continuity plans are updated regularly, covering our internal points of failure and key partner service-continuity plans. The actions include a response to supplier and logistics failures, and plans were tested live as part of our Covid response activities.

– We have established partnerships with key transportation and logistics suppliers to align planning and secure capacity.

– Since the start of the pandemic, a weekly meeting of Supply Chain Directors from across the Group has been held to identify and agree key actions to respond to the changing supply needs.

– We have extended our demand forecasting to better anticipate future sales requirements and worked with suppliers to ensure product availability.

– We have continued the implementation of store-based fulfilment for customer orders to support the business operation and the increased demand since the pandemic started.

– We have an agreed supplier strategy which includes guidance on choosing which regions to source from and when to use more than one factory or supplier to increase resilience.

– There is a robust process for selecting individual suppliers. This includes checks on financial strength, ethical and environmental risks and their ability to manufacture the products to the agreed specification.

– We continually review key suppliers by category to establish capacity and volumes and assess the impact of an interruption in supply.

Principal Risks continued

Key: Increasing No change Decreasing

Competition

Our competitors include both traditional store-based and pureplay online retailers. The pandemic has accelerated changes in the market, with a sharp rise in the use of online marketplaces and an increase in the number of competitors in the home improvement market. Competitors are also developing their offers, including both direct-to-customer operations and the services offered.

Targeted actions or disruptive behaviour by competitors could negatively impact our market share, the value of our assets and our financial results.

How our risks have changed

No change
Our strategy has enabled us to continue to grow our Group sales and profit and gain market share in the UK and France.

Link to strategic priorities
- Grow e-commerce sales
- Build a mobile-first and service orientated customer experience
- Differentiate and grow through own exclusive brands (OEB)
- Test compact store concepts and adapt our store footprint
- Source and buy better, reduce costs and same-store inventory
- Expand engagement with trade customers

How we manage and monitor the risk

We are building a differentiated offer through:
- Clear positioning for each of our banners, with different operating models to address diverse customer needs, such as general DIY needs, trade-focussed and discounters.
- Centrally developing our OEB brands, with clearly defined range principles and customer projects to create a differentiated and compelling offer.
- Giving greater autonomy to local banners and allowing local ranges, services and store formats that are tailored to customers' needs.
- Competing on price by using the scale of our Group to benefit from volume and lower purchase prices.
- Tailoring trading actions to local markets, through distinct customer communications (adverts, brochures), promotions and loyalty schemes to increase sales and brand loyalty.

We regularly monitor our market share, our performance and that of our competitors, to react quickly to targeted actions via:
- Comparison of price indices vs competition in our key categories and measure customer price perception on a regular basis.
- Customer trend monitoring in all our markets to anticipate and develop an appropriate offer.
- Monitoring Net Promotor Scores (NPS) scores, with targets to improve the customer experience and satisfaction.

Changing Customer Preferences

The pace of change remains high, with a greater use of e-commerce solutions for click & collect and home delivery. To make our products available to customers where and when they want it, we have accelerated our investment programme. This ensures we have innovative digital channels supported by an agile and reliable infrastructure, including technology and logistics capability, and an optimised property portfolio with in-store services.

Failure to identify new trends and optimise our channels quickly enough could affect our ability to stimulate spend and adversely impact the value of our assets and our financial results.

How our risks have changed

No change
The increased autonomy of the banners in our new commercial operating model allows them to more quickly identify and react to changes in customer trends. However, a significant risk remains that we are not able to deliver the required changes quickly enough or that the changes are not sufficiently compelling for our customers.

Link to strategic priorities
- Grow e-commerce sales
- Build a mobile-first and service orientated customer experience
- Test compact store concepts and adapt our store footprint
- Lead the industry in Responsible Business practices
- Expand engagement with trade customers

How we manage and monitor the risk

- A Group digital strategy has been developed and approved by the Board, with various priority programmes underway.
- Our Customer & Market Intelligence team continuously monitors and gathers insights, which is regularly shared with the Group Executive, the Board and the wider business. We also have teams focused on customer data and digital experience, so that we can better understand the behaviour of our customers and provide them with personalised omnichannel experiences.
- We have an established Technology Product Council, meeting on a quarterly basis, to monitor financial and project portfolio performance and to prioritise upcoming digital initiatives.
- We have launched strategic programmes to grow e-commerce, focusing on putting stores at the centre of our fulfilment model. We have implemented a digital hub model to improve speed of delivery. Drive through pick-ups are now in all medium and big stores in France and Poland and lockers have been rolled out to all Castorama Poland stores.
- We are continuing to invest in developing our mobile consumer apps so that they can be used in our stores for self-service ordering and payment.
- We have also improved the customer proposition by broadening the services we provide. This includes technology driven services to improve the experience of buying online and making DIY projects more affordable.
- We have expanded the range of do-it-for-me services available to customers to help them complete projects, including rolling out our NeedHelp proposition in the UK and Poland. NeedHelp is the leading European home improvement services marketplace.
- We have continued to test and develop our understanding of compact store formats and concessions, with additional openings in the UK, France and Poland. We now have 25 stores across four banners, providing us with strong learnings for our future blueprint.
- We continue to review the best options to further expand product choice, including our recently launched e-commerce marketplace proposition.
- To our focus on speed and convenience for customers, Screwfix has launched 'Sprint', offering deliveries direct to site within one hour for a third of UK postcodes.

Political and Market Volatility

Kingfisher operates in eight countries across Europe and relies on a global supply base, exposing us to both geopolitical uncertainty and local volatility. Disruption could include government restrictions on mobility, strikes, work stoppages and/or our ability to receive products from affected countries. Market volatility has increased since the pandemic began, resulting in changing customer behaviours and reduced consumer confidence. If governments try to reduce their budget deficits through taxation, this will create additional burdens on businesses. These impacts could potentially disrupt the day-to-day operations of our business and our ability to meet our strategic objectives.

How our risks have changed

Increased

We have seen increased economic volatility across all our markets, with higher material, energy and labour costs driving higher inflation. A continued conflict in Eastern Europe would negatively impact energy and commodity prices and could limit the availability of certain raw materials.

Link to strategic priorities

– Source and buy better, reduce costs and same-store inventory

How we manage and monitor the risk

Monitoring and engagement activities

– Our Corporate Affairs team actively monitors the political and economic situations in the countries in which we operate or which may impact our operations. This is supported by membership of key business trade associations in every market.

– Strategies are in place to identify, monitor and influence changes to legislation that may impact our business.

– Crisis management processes and teams are in place to monitor and manage situations as they arise.

– Our global buying offices and supply chain teams are focussed on ensuring we maintain appropriate levels of product availability through periods of disruption.

Mitigation activities

– We have strong and distinct banners, with each able to set the right product offer and pricing to meet our customers' appetite for spending.

– We have banner and Group sourcing offices focused on securing competitively priced supplies.

– The Group has access to significant committed liquidity facilities and debt funding, through drawn term loans and the ability to issue debt into the capital markets through its European Medium-Term Note (EMTN) programme.

– Cash holdings are diversified across a number of financial institutions (for which credit risk is closely monitored).

– We have an appropriate and prudent mix of hedging policies, cash deposits and debt financing to minimise the impact of foreign exchange currency volatility on the company.

– We are continually investing to reduce our energy usage and increase our efficiency. Our Group Hedging policy reduces our exposure to energy price fluctuations and provides regular reporting for oversight.

Legal and Regulatory

The Group's operations are subject to a broad range of regulatory requirements in the markets in which it operates. A major corporate issue or crisis, a significant fraud or material non-compliance with legislative or regulatory requirements would impact our brands and reputation, could expose us to significant fines or penalties and would require significant management attention.

How our risks have changed

No change

Link to strategic priorities

– Source and buy better, reduce costs and same-store inventory

– Lead the industry in Responsible Business practices

How we manage and monitor the risk

Policies and procedures

– Policies and procedures are in place, clearly stating our expectation to carry out our business fairly and with complete integrity.

– Our Goods Not For Resale Vendor Engagement Assessment tool increases the level of supplier due diligence covering business integrity, data protection and information security.

– A new whistleblowing policy and hotline, facilitated by an independent third party, were put in place throughout the Group in FY 21/22, with a communications campaign to raise awareness. Champions in all banners received training to ensure that all calls are followed up and investigated appropriately.

Training and communication

– Revised Group-wide mandatory compliance training was rolled out and delivered in 2021, with two modules for all colleagues (Code of Conduct, including anti-bribery and corruption, and GDPR) and two for head-office staff (Fair Competition & Market Abuse Regulation). Refresher training modules were launched in January 2022 to be completed by all colleagues.

Oversight and reporting

– Our Legal & Compliance network is well established, for teams at Group and banners to work and communicate together.

– The Group Ethics and Compliance Committee (GECC) ensures that the Group approach to ethics and compliance is adequate and effective. This includes approving compliance training and reviewing the outcomes of investigations. Local Ethics and Compliance Committees have been implemented in all banners to ensure a consistent approach across the Group.

– We have a Disclosure Committee in place to address our Market Abuse Regulation requirements.

– Whistleblowing statistics and trends are monitored in the local Ethics and Compliance Committees and reported to the GECC, Audit Committee and Board annually.

Principal Risks continued

Key: Increasing No change Decreasing

Cyber and Data Security

Cyber-attacks and security incidents continue to increase and the retail sector has joined a number of industry sectors as a target due to it becoming more data driven. As we increase our digital presence and develop smart products and services our risk profile will continue to change.

Failure to protect data, detect breaches, and respond accordingly would negatively impact our operations, profitability and reputation.

How our risks have changed

Increased

Alongside a continued acceleration in digital growth, there has been a growing number of organisations affected over the past year, with a wider availability of tools and techniques available to cause serious disruption.

Link to strategic priorities

- Grow e-commerce sales
- Build a mobile-first and service orientated customer experience

How we manage and monitor the risk

- Cyber security continues to receive Group Executive-level sponsorship and Board focus.
- Cyber security is an integral part of the IT strategy with a clear three-year plan supporting the strategic priorities and will continue to develop and evolve our capabilities to manage new threats.
- An independent maturity assessment has been completed and results incorporated into the 3-year plan. There will be a continuous independent assurance schedule to ensure we meet target maturity.
- We regularly review the cyber threats facing Kingfisher and work with security partners to evaluate and implement appropriate controls.
- All technology development goes through a 'Secure by Design' process to ensure solutions and data are secure and adhere to compliance and regulation requirements.
- We perform security assurance of third parties that process our data across all functions and banners.
- We have a continuous programme to enhance our protective and defensive capabilities.
- There is a robust major incident management process and we maintain a third-party retainer for incident response, breach and forensic expertise.

Reputation and Trust

Our customers, colleagues, suppliers, investors and the communities we source from and operate expect us to conduct our business in a way that is responsible. One of the many ways we strive to ensure this is through our publicly communicated Responsible Business strategy and targets, covering topics such as climate change, responsible sourcing and diversity (for further details please refer to Responsible Business on pages 23 to 29).

Failure to deliver on our obligations and commitments could undermine trust in Kingfisher, damage our reputation and impact our ability to meet our strategic objectives.

How our risks have changed

No change

The level of scrutiny and expectations from our stakeholders remains high, particularly around our response to Covid and the environment.

Link to strategic priorities

- Lead the industry in Responsible Business practices

How we manage and monitor the risk

Governance

- Our Code of Conduct establishes the core behaviours we expect of ourselves and others, including our suppliers.
- The Responsible Business Committee leads and oversees the delivery of the responsible business strategy. It is chaired by a non-executive director and includes the Chief Executive Officer.
- Our approved science-based carbon reduction targets ensure we have a short-term plan to 2025 decarbonise our full supply chain including moving our property portfolio to renewable energy, lower carbon transport solutions and editing our product ranges to offer customers the most energy and water efficient products.
- Our annual reward measures help to ensure that environment, social and governance (ESG) issues and stakeholder concerns are further prioritised.

Stakeholder dialogue

- Monitoring of external stakeholders' views of our company through traditional and digital media for all our companies.
- For colleagues, we have forums and works' councils in all of our businesses, including a collective forum that meets with the CEO and members of the Board.
- Externally, we have regular engagement with a range of NGO partners in our key markets, which helps to ensure that the company remains close to social and environmental concerns.

Due diligence and external assurance

- Our due diligence of suppliers covers a range of ESG issues, from environment to modern slavery; and includes our policy framework and supplier standards, which we expect suppliers to adhere to; supplier training and capacity building; and auditing of high-risk suppliers.
- Our due diligence extends to the data we disclose. Selected ESG data in the annual Responsible Business Report and Modern Slavery Statement is independently audited by DNV.
- Independent ratings agencies also monitor and rate our ESG performance throughout the year, including MSCI, CDP, Sustainalytics and ISS ESG.

Viability statement

Assessment period

The directors consider three years to be appropriate given the fast pace of change in both consumer and retail markets. This is consistent with the Group's strategic planning period and the period over which the principal risks are considered. The period to maturity or full implementation and impact for new ranges, stores and technology investments is up to three years. In addition, there are no major renewal or investment commitments expected that go above the current investment level (3.0 to 3.5% of revenues) beyond the three-year period. The Group's debt repayment profile is not relevant due to the low levels of debt and the revolving credit facility has a three-year horizon. A period of greater than three years is considered too long for financial projections, given the uncertainties involved.

Assessment of prospects

This viability statement should be read in conjunction with the description of the Group's business model and strategy, which are set out on pages 18 to 19 and 6 to 17, respectively.

The directors regularly assess the Group's prospects and progress against the strategic objectives set out in its three-year plan. Kingfisher's planning process consolidates retail banner strategies to generate a Group-wide plan. This incorporates forecasts of the Group's financial performance that include cash flows which allow the directors to assess both the Group's liquidity and solvency positions, along with adequacy of funding. Sensitivity analysis of the main assumptions underlying the plans is also carried out. The plans are approved by the directors and financial budgets and KPIs are subsequently used to monitor performance during the year via periodic performance reviews.

In its assessment of the Group's prospects, the Board has considered the following:

- **The Group's strategy and how it addresses changing customer preferences.** We aim to build leading customer propositions. At the heart of this is having e-commerce with stores at the centre, more compact stores, differentiation through our Own Exclusive Brands, a mobile-first experience and a compelling service offer. We have successfully implemented the new commercial and IT operating models and the delivery against our strategic priorities is ahead of schedule.
- **Covid.** We have continued to act responsibly during the Covid pandemic, keeping the safety of our customers and teams a priority while also maintaining strong like-for-like sales growth. The Covid vaccine and booster roll-out continue to progress well. However, new variants may develop which could present an ongoing risk of increased colleague absence, albeit manageable given past experiences.
- **Supplier and supply chain risks.** This year we continued to see disruption at key points in the network, although overall capacity has increased. The pandemic has also caused operational difficulties for our suppliers and tested their ability to respond quickly to changes in demand. We have worked closely with our partners throughout to ensure an effective response and to minimise the overall impact. Since the start of the year, we have maintained, and in many cases improved, our product availability, which is among the best in our industry, supporting market share gains.
- **Expectations of the future economic environment.** Uncertainty remains over macro-economic risks brought about by the pandemic, including changing customer behaviours, higher inflation, reduced consumer confidence and governments needing to reduce their budget deficits in the future. However, we are benefiting from new industry trends which we believe will endure and provide the opportunity for sustained long-term growth.
- **The Group's financial position.** The Group has reported another strong set of results, with growth across both retail and trade channels. The Group retains a strong financial position; as of 31 January 2022, Kingfisher had access to over £1.3bn of liquidity comprising cash and cash equivalents (net of bank overdrafts) of over £800m and access to undrawn Revolving Credit Facilities (RCFs) of £550m (expiring at the end of May 2024, with options for extension). This level of liquidity is deemed sufficient for all of the viability scenarios analysed.

Taking these factors into account, we have shown our business model is resilient and we are confident that our 'Powered by Kingfisher' strategy is a strong foundation for sustainable long-term growth.

Assessment of viability

An extensive risk review identified no new principal risks in the year. As a result, we believe the scenarios used last year remain valid for this exercise. We have updated elements of the scenarios to reflect the progress made in delivering our strategy and for changes in the external operating environment. Scenarios were identified by considering the potential impact of individual principal risks and possible combinations (as shown in the table on page 50). In total, we used eight of the principal risks in our modelling. They were chosen because they combine to represent plausible scenarios covering a range of different operational and financial impacts on the business. The two principal risks not specifically modelled would have similar impacts to the existing scenarios: the legal and regulatory risk could result in a significant financial penalty and related financial pressure similar to scenario 1 (demand / operational shock) and the reputation and trust risk could cause a fall in demand similar to scenario 3 (economic downturn).

In total, four severe but plausible individual scenarios have been created, with a fifth 'collective' scenario, considering the combined impact of scenarios 1, 3 and 4 to model a worst-case hypothetical situation. Theoretically all of these scenarios could run together, with different impacts. Although the causes are different, the potential impact of scenario 2 (supply chain disruption) is similar to scenario 3 (economic downturn) and overlaying it on the collective scenario would not make a material difference to the results. The ongoing impact of the current pandemic and the potential of future pandemics have been carefully considered and are reflected in several of these scenarios.

The operational impacts of climate change are not deemed significant within our defined outlook period and are therefore not modelled in the scenarios. However, the additional investments being made to realise our climate targets are included in the base financial projections used. Over the past year, we have been working to improve our understanding of the longer-term financial impacts of climate-related risks, please see the TCFD section on page 24.

Viability statement continued

The diversified nature of our activities provides inherent resilience to risk. Our geographic spread provides us with the ability to withstand political instability or economic downturn in a particular country. We have a diverse product portfolio, including OEBs, and are investing heavily in new technology to strengthen our online presence.

None of the scenarios modelled, including the more extreme and unlikely aggregated scenario, were found to impact the long-term viability of the Group over the assessment period. In assessing each of the scenarios we have taken account of the mitigating actions available to us, including, but not limited to:

- Reducing discretionary operating spend, such as marketing and travel.
- Reducing non-committed capital expenditure.
- Renegotiating prices and payment terms with suppliers.
- Freezing recruitment and reducing variable incentives.
- Temporary suspension of dividend payments.

Having assessed our current position, principal risks and prospects of the Group and considering the assumptions below, the directors confirm they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year assessment period.

Scenarios modelled	Links to principal risks
Scenario 1 – Demand/operational shock The whole of Kingfisher's operations become subject to a material and unexpected reduction in demand or operational disruption resulting in an inability to trade for a period of time (e.g. a future pandemic or prolonged failure of our global IT infrastructure). Assumptions: **Sales:** No sales during a 4 week period of severe operational impact, followed by a short period of recovery before returning to prior levels. **Margin:** Margin impacted by fixed distribution costs during disruption period. **Cost:** Minimal cost savings due to the nature of the event. **Inventory:** Limited adjustment opportunity given lead times.	**Risk 3:** Contagious diseases **Risk 7:** Political and market volatility **Risk 9:** Cyber and data security
Scenario 2 – Supply chain disruption Our suppliers and supply chain continue to be affected through 2022/23 and into 2023/24 by the impact of Covid or events which impact production or supply. Stock availability is severely reduced in several key product categories and logistics costs are significantly increased for others. Suppliers are not able to support the increased sales volumes on key ranges. Assumptions: **Sales:** Negative sales impact with smaller stores most affected (more limited range depth so fewer alternatives). Applied to three-year plan sales for the years 2022/23 and 2023/24. **Margin:** Increased shipping and transportation costs.	**Risk 3:** Contagious diseases **Risk 4:** Supply chain resilience
Scenario 3 – Economic downturn Prolonged downturn in economic conditions across Europe with lower economic activity, higher unemployment and higher inflation resulting in changing customer behaviours, reduced consumer confidence and lower spending. Customers become more price sensitive and price reductions impacting margins are required to manage overstocks. Suppliers of key ranges default on their supply commitments. Governments increase taxes to reduce deficits. Assumptions: **Sales:** Year-on-year sales reduction for a period of 18 months followed by recovery to initial level and then back to growth. **Margin:** Margin reduction for a period of 24 months followed by recovery in third year. **Tax:** 5% tax increase on Group Adjusted PBT for 36 months.	**Risk 3:** Contagious diseases **Risk 7:** Political and market volatility
Scenario 4 – Failure to execute our strategy We continue to implement our strategy, including planned investments, but this fails to deliver the expected sales growth and margin support. In addition, there is a failure to realise cost efficiency targets. Assumptions: **Sales:** Non-delivery of planned sales growth from initiatives included in the three-year plan. **Margin:** Non-delivery of margin increases linked to growth in own brand product sales. **Costs:** Non-delivery of efficiency benefits.	**Risk 1:** Our people **Risk 2:** Level and impact of change **Risk 5:** Competition **Risk 6:** Changing customer preferences
Scenario 5 – A combination of scenarios 1, 3 and 4 This represents a demand or operational shock, resulting in a short period of no income. This is followed by an economic downturn. At the same time, our strategy fails to deliver the planned benefits. This is seen as a worst-case scenario and highly unlikely.	As above

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report, including the principal risks of the Group set out on pages 44 to 48. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 34 to 41. In addition, note 25 of the Group financial statements includes the Group's financial risk management objectives and exposures to liquidity and other financial risks.

The directors have considered the above and how they may impact going concern as well as modelling of a remote scenario which assesses the impact on the Group's liquidity headroom of more restrictive containment measures than those experienced during the Covid pandemic to date. As a result of this review, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and consider it appropriate for the Group to continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further details in relation to the use of the going concern assumption and the scenario modelled by the directors are detailed in note 2 of the Group financial statements.

Non-financial information statement

The table below sets out where stakeholders can find information in our Strategic Report that relates to non-financial matters, as required under the Non-Financial Reporting Directive.

Reporting requirement	Where to read more in this report about related risk management and further additional information	Page
Environmental matters	Responsible Business – Climate change and energy use Responsible Business – Waste and chemicals Governance of Responsible Business	27 29 24
Employees	People and culture – An agile, inclusive culture led by trust People and culture – Equal opportunities Nomination Committee report – Board diversity and inclusion	22 22 68
Human rights	Responsible Business – Responsible sourcing and human rights	28
Social matters	Responsible Business – Our Responsible Business priorities	23
Anti-bribery and corruption	Anti-bribery and corruption statement Directors' report – Political donations	53 106
Description of business model	Business model	18
Non-financial KPIs	Responsible Business – Our Responsible Business priorities Group update	23 6
Principal risks and uncertainties	Our approach to risk management Principal risks	42 44

Kingfisher plc has complied with the requirements of LR 9.8.6R by including climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures except for the following matters:

– Strategy (C) – "Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario" – as we are currently in the process of embedding the relevant analytical capabilities and understanding across the business. We have instead disclosed our initial approach to undertaking scenario analysis in FY 21/22, focused on our property portfolio, and have outlined the additional steps we plan to undertake in FY 22/23.

The table below provides a reference to where our TCFD disclosures can be found.

Topic	Disclosure summary	Disclosures	Kingfisher response
Governance	Disclose the organisation's governance around climate-related risks and opportunities	a. Describe the Board's oversight of climate-related risks and opportunities.	Responsible Business: page 24 Principal risks: page 42 Kingfisher CDP Climate Change 2021
		b. Describe management's role in assessing and managing climate-related risks and opportunities.	Responsible Business: page 24 Principal risks: page 42 Kingfisher CDP Climate Change 2021
Strategy	Disclose the actual and potential impacts of climate related risks and opportunities on the organisation's businesses, strategy and financial planning.	c. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Responsible Business: page 25 Kingfisher CDP Climate Change 2021
		d. Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning.	Responsible Business: page 25 Principal risks: page 43 Kingfisher CDP Climate Change 2021
		e. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°c or lower scenario.	Responsible Business: page 26 Kingfisher CDP Climate Change 2021

TCFD index

Risk management	Disclose how the organisation identifies, assesses, and manages climate related risks.	a. Describe the organisation's processes for identifying and assessing climate-related risks.	Responsible Business: page 26 Principal risks: page 42 Kingfisher CDP Climate Change 2021
		b. Describe the organisation's processes for managing climate-related risks.	Responsible Business: page 26 Principal risks: page 42 Kingfisher CDP Climate Change 2021
		c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Responsible Business: page 26 Kingfisher CDP Climate Change 2021
Metrics and Targets	Disclose the metrics and targets used to assess and manage relevant climate related risks and opportunities.	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Responsible Business: pages 26-27 Kingfisher CDP Climate Change 2021 Responsible Business Report 2020/21 RB Performance Data Appendix 2020/21
		b. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Kingfisher CDP Climate Change 2021 Responsible Business Report 2020/21 RB Performance Data Appendix 2020/21 Responsible Business: pages 27-28
		c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Responsible Business: pages 26-27 Kingfisher CDP Climate Change 2021 Responsible Business Report 2020/21 RB Performance Data Appendix 2020/21

Referenced documents can be accessed via the following links:

- Responsible Business Report 2020/21: www.kingfisher.com/en/responsible-business/responsibility-report-.html and RB Performance Data Appendix 2020/21: www.kingfisher.com/dataappendix
- Kingfisher CDP Climate Change 2021: www.kingfisher.com/CDPclimatechange

Anti-bribery and corruption

Kingfisher is fully committed to conducting its business with high ethical standards. The Kingfisher Code of Conduct sets out our personal and shared responsibilities for meeting high ethical standards and helps to promote a culture where transparency, honesty and fairness are the norm. It contains our commitment to comply with anti-bribery and anti-corruption laws, as well as to compete fairly and not to tolerate any form of modern slavery. It underpins a set of integrity policies (including anti-bribery and anti-corruption, whistleblowing, fair competition, sanctions and preventing facilitation of tax evasion), which set out the vision for how we want to behave and comply with laws and regulations applicable across the Group.

All Kingfisher colleagues, including new joiners, are required to complete Code of Conduct e-learning once a year, which includes anti-bribery, anti-corruption and integrity policies. The 2021 version of the training (the "2021 Code of Conduct Training Module") was launched in Q4 2020 and was available to colleagues in the financial year 2021/22. Over 77,000 colleagues (equivalent to over 90% of the Kingfisher population, including leavers and new joiners) completed the 2021 Code of Conduct Training Module since its rollout. On top of that, over 5,000 colleagues working in sensitive areas of the business received the 2021 Competition Law Training Module, also launched in Q4 2020. A new version of the Compliance e-learning, including the 2022 Code of Conduct and Competition Law refresher training modules, were launched in Q4 2021, and will be available to all Kingfisher colleagues in the 2022/23 financial year.

An online gifts and hospitality and conflict of interests reporting and approval process is in place in all relevant languages and geographies and the numbers are monitored by Local Compliance Officers and reported to senior management at Group level. A new confidential whistleblowing hotline was put in place in 2021, followed by a Group-wide communication campaign aiming to encourage colleagues to raise ethical concerns. The Audit Committee of the Board receives regular updates about whistleblowing reports as well as the outcome of sensitive internal investigations.

We embed the requirements of our Code of Conduct into our procurement processes and supplier contracts. Potential new suppliers are informed during the tender process of our Code of Conduct, policies and ethical requirements so they can take these into account when quoting to provide products or services. A third-party due diligence process is in place, integrating and strengthening our due diligence process in areas such as anti-bribery and corruption, sanctions and conflict of interest.

Our Group Ethics and Compliance Committee is chaired by our Chief Financial Officer and meets four times a year to ensure good governance of compliance-related activities across the Group.

Local Ethics and Compliance Committees have been established in each of our retail banners.

For information about human rights see the Responsible Business section on page 28.

Companies Act section 172 statement

The directors are fully aware of their responsibilities to promote the success of the company in accordance with section 172 of the Companies Act 2006 (the "Act").

The directors aim, in good faith, to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

- the likely consequences of any decision in the long term and the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct and acting fairly between our members; and
- employee interests, the need to foster the company's business relationships with suppliers, customers, and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year.

Ahead of matters being put to the Board for consideration, and in advance of many projects or activities, significant levels of engagement are often undertaken by the broader business to ensure that all stakeholder views are considered fairly. This engagement is often governed by formulated policies, control frameworks, regulation and legislation and may differ by region and banner or Group function.

Kingfisher follows a highly developed and formalised governance and oversight framework, which includes but is not limited to Group policies, business principles and the Kingfisher Code of Conduct.

Kingfisher considers the following to be its core stakeholder groups:

- Customers
- Colleagues
- Investors
- Suppliers
- Communities and non-governmental organisations
- Regulators and governments

Please see pages 62 to 67 of the Corporate Governance report where consideration of our stakeholders and section 172 responsibilities, including principal decisions taken by the Board and how the Board's discussion and decision making during the year was influenced by engagement with our different stakeholders.

Strategic report approval

The Strategic report was approved by a duly authorised Committee of the Board of Directors on 21 March 2022 and signed on its behalf by:

Thierry Garnier
Chief Executive Officer

21 March 2022

Board of Directors

Andrew Cosslett CBE, Chair of the Board

Appointed: April 2017 **Chair of the Board:** June 2017

Skills and experience: Andrew's early career was with Unilever in a variety of branding and marketing roles. He then spent 14 years at Cadbury Schweppes in senior international roles before becoming CEO for InterContinental Hotels Group (IHG). Andrew was at IHG for six years, creating value by leveraging the power of its brands alongside executing a programme of significant transformational and cultural change. He served as CEO for Fitness First, where he was instrumental in successfully repositioning the business and brand. Andrew served as a non-executive director of the Rugby Football Union (RFU) from 2012, where he was appointed chairman from 2016 until 2021. Andrew received a Commander of the Order of the British Empire (CBE) for services to the RFU in the 2022 New Year's Honours List.

External appointments: Andrew has been appointed as an independent non-executive director and chair designate of ITV plc with effect from 1 June 2022, and will become non-executive chair, with effect from 29 September 2022.

Thierry Garnier, Chief Executive Officer RB

Appointed: September 2019

Skills and experience: Thierry spent 20 years in senior roles at Carrefour, the French multi-national retailer. Before joining Kingfisher, he was a member of the Carrefour group executive committee and CEO of Carrefour Asia. From 2003 to 2008, Thierry was the managing director of Supermarkets for Carrefour France. Following his success in this role he became CEO of Carrefour International and a member of the group executive committee in 2008, where he became responsible for operations in Asia, Latin America and various European countries. In 2016, Thierry was awarded the Chevalier de l'Ordre National de la Légion d'Honneur (France).

External appointments: Thierry is a non-executive director of Tesco plc and a member of its remuneration committee.

Bernard Bot, Chief Financial Officer

Appointed: October 2019

Skills and experience: Bernard is a seasoned CFO having served in that capacity at several international listed companies. Bernard also has significant experience of large-scale transformation programmes, logistics and supply chain management, technology and digital services. He was CFO at Travelport Worldwide, a global NYSE-listed company providing a technology platform for the travel industry, until it was taken private in June 2019. Prior to that, Bernard was CFO of Aer Lingus and held various senior positions at TNT and TNT Express. Previously, he worked at McKinsey & Company as a partner and leader of its worldwide Post and Logistics group.

External appointments: Bernard is a non-executive director of A.P. Møller–Mærsk A/S. and a member of its audit committee.

Claudia Arney, Non-Executive Director

Appointed: November 2018

Skills and experience: Claudia brings a wealth of experience of business transformation and building digital capabilities to the Board having previously held non-executive roles, including interim chair of the Premier League, senior independent director of Telecity Group plc, chair of the remuneration committee at Halfords plc, non-executive director at Ocado Group plc, and governance committee chair at Aviva plc. Claudia began her career at McKinsey & Company, before holding roles at Pearson, the Financial Times, Goldman Sachs, and HM Treasury. She was also group managing director, digital at EMAP.

External appointments: Claudia is currently chair of Deliveroo plc, and non-executive director and remuneration committee chair at Derwent London. She also serves as a member of the Panel on Takeovers and Mergers and is the lead non-executive director for the Department for Digital, Culture, Media and Sport.

Board of Directors continued

Catherine Bradley CBE, Senior Independent Director A N R

Appointed: November 2020 **Representative to the Kingfisher Colleague Forum:** From June 2022 forum

Skills and experience: Catherine provides substantial expertise to the Board in the field of finance, risk management and corporate governance, having previously been a non-executive director of the Financial Conduct Authority, the UK financial regulator, where she chaired its audit committee. Catherine also served as an independent member of the supervisory board of PEUGEOT S.A. where she chaired its finance and audit committee. Prior to embarking on her non-executive career, Catherine had a 30-year career in investment banking based in the US, the UK and Asia. She has French and British citizenship and was appointed a Commander of the Order of the British Empire (CBE) in June 2019.

External appointments: Catherine is a non-executive director of Johnson Electric Holdings Limited, a Hong Kong listed company. She is also non-executive director of easyJet plc where she chairs its finance committee, and abrdn plc where she is a member of its audit committee. Catherine also serves on the board of the Value Reporting Foundation.

Jeff Carr, Non-Executive Director A N R

Appointed: June 2018

Skills and experience: Jeff became CFO of Reckitt Benckiser Group plc in April 2020. Reckitt Benckiser has operations in over 60 countries and a large number of globally trusted household brands and products. Jeff previously held an executive finance role with Reckitt Benckiser earlier in his career. Most recently, Jeff was CFO of Koninklijke Ahold Delhaize N.V. (Ahold Delhaize), one of the world's largest retail groups. Jeff was also previously group finance director at both FirstGroup plc and easyJet plc, and held a senior finance role at Associated British Foods plc, as well as a non-executive director role at McBride plc.

External appointments: Jeff is currently CFO of Reckitt Benckiser Group plc, the British multinational consumer goods company.

Sophie Gasperment, Non-Executive Director N RB

Appointed: December 2018 **Representative to the Kingfisher Colleague Forum:** Until December 2021 forum

Skills and experience: Sophie brings to the Board expertise in strategy, brand and international retail markets as well as substantial experience in business transformation and digital capabilities, having held a number of senior leadership positions at L'Oréal, including managing director of L'Oréal UK & Ireland, and executive chair and global chief executive officer of The Body Shop.

External appointments: Sophie is a senior advisor at the Boston Consulting Group. Sophie is also a non-executive director of Accor, where she chairs the appointments, compensation and CSR committee. Sophie has announced that she will be stepping down as non-executive director from the Accor board in May 2022. She is also a non-executive director of Givaudan S.A., the D'Ieteren group, and is the lead independent director on the board of Cimpress, a NASDAQ-listed technology company.

Rakhi Goss-Custard, Non-Executive Director A N R RB

Appointed: February 2016

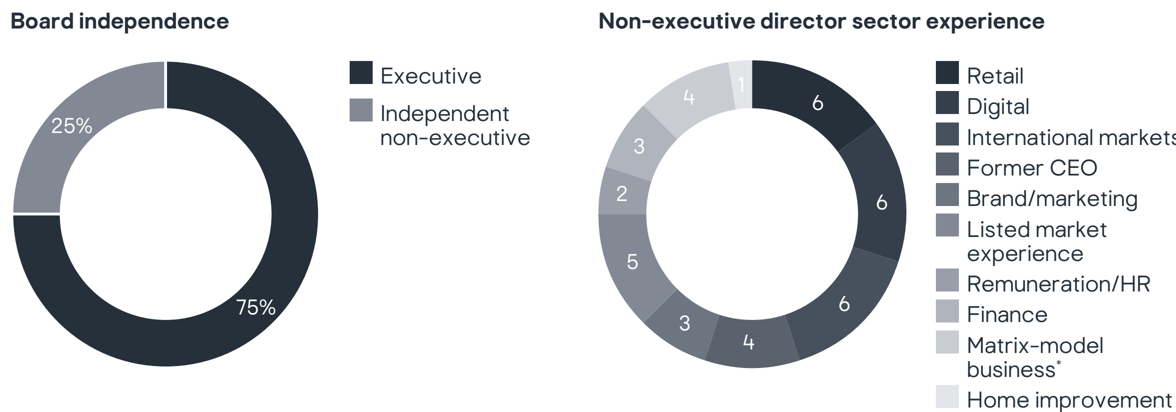
Skills and experience: Rakhi is an experienced non-executive director, with expertise in digital retailing, strategy, analytics, and operational execution. She spent 12 years at Amazon in various senior leadership positions running many of Amazon's key categories, including high growth, mature and digital categories, in addition to being responsible for pricing across the UK. Prior to joining Amazon, Rakhi held roles at TomTom and in management consultancy in the United States. She was previously a non-executive director of Intu Properties plc.

External appointments: Rakhi is currently a non-executive director of Schroders plc, Rightmove plc, and Tim Holdco Limited.

Key: A Audit Committee N Nomination Committee R Remuneration Committee

RB Responsible Business Committee ◯ Chair

Board composition



* Experience of multi divisional/business unit model with responsibilities split across regions and the centre

Current directors	Tenure at 31 January 2022 (0-3 years / 3-6 years / 6-9 years)
Andrew Cosslett	4 years, 10 months
Claudia Arney	3 years, 3 months
Catherine Bradley	1 year, 3 months
Jeff Carr	3 years, 8 months
Sophie Gasperment	3 years, 2 months
Rakhi Goss-Custard	6 years
Thierry Garnier	2 years, 4 months
Bernard Bot	2 years, 3 months

Board diversity and ethnicity

Our Board is 50% female and includes one director of colour (as defined in the Parker Review, 2017 and 2020).

Board nationality	
Dutch	1
US	1
French	3
British	3

Corporate governance

Dear Shareholder,

The Kingfisher Board has worked hard to maintain a strong and effective system of governance in the face of the continuing challenges of the Covid pandemic. Our corporate governance framework, set out below, underpins and supports management and the Board to operate efficiently and with clear purpose.

Throughout the pandemic, we have taken swift and effective measures to serve our customers as an essential retailer, to look after our colleagues as a responsible employer, to support the communities in which we operate, and to protect our business for the long term. Our actions have focused on 'doing the right thing', which sits at the heart of the 'Powered by Kingfisher' strategy.

The Board has continued to demonstrate good leadership and oversight of our responsibilities and has taken informed decisions derived, as appropriate, from open dialogue with our stakeholders. The company's section 172 statement is set out on page 54 and details of stakeholder engagement undertaken by the Board and the company are set out on pages 62 to 67 of this report.

Tony Buffin stepped down during the year and the process and considerations given to the selection of his replacement are discussed in the Nomination Committee's report from page 68.

Discussion of this year's evaluation exercise is set out in the following reports which also explain how the Board and its Committees operate and outline some of the work undertaken during the year.

We have prepared this report in line with the requirements of the UK Corporate Governance Code (the Code) which applied to Kingfisher for the year ended 31 January 2022. Our Code compliance is discussed in more detail on page 59.

I want to thank my fellow directors for their commitment to, and support of, all our activities. The Board and I stand firmly behind our management team and the 'Powered by Kingfisher' strategy which promises much. In support of that strategy, we remain fully committed to creating a culture of transparency, honesty, and fairness which, supports a strong and robust corporate governance framework.

Andrew Cosslett
Chair of the Board

21 March 2022

Our governance structure
Our structured framework comprising the Board and its committees, enables the company and our directors to work effectively.

The Kingfisher plc Board
Responsible for the overall leadership of the Group, the Board defines our purpose, values, and strategy and aligns them with our culture. Considering the views of our key stakeholders, the Board promotes the Group's long-term sustainable success and its contribution to wider society. It is also responsible for the Group's performance and governance oversight.

Audit Committee
Oversees all our financial reporting, audit, and risk.

Report can be found from page 71.

Nomination Committee
Manages the composition of the Board and succession planning.

Report can be found from page 68.

Remuneration Committee
Ensures rewards are linked to our wider strategy.

Report can be found from page 75.

Responsible Business Committee
Oversees delivery of our Responsible Business activities providing collective advice and assurance.

Report can be found on page 70 with additional reporting from page 23.

Disclosure Committee
Responsible for the framework we use to identify, manage, and release inside information.

Group Executive
Comprises the CEO and his direct reports including the CFO, the retail banner CEOs, and certain functional leads. This group meets monthly to assist our CEO to develop and implement the strategic direction of Kingfisher and its constituent businesses, to support the implementation of operational decisions, and to make Board recommendations.

Group Investment Committee
Chaired by the CFO, this group approves all capital and revenue expenditure above the threshold reserved for approval at the banner or Group function level. Authority for approval for such matters also resides with the CEO.

Board attendance

Directors' attendance at Board meetings during the year is set out below. Directors who are unable to attend scheduled meetings are encouraged to input offline ahead of the meeting. Detail regarding information flows to the directors can be found in the Corporate Governance Statement on our website and on page 61 which details improvements identified and made through our Board evaluation process.

Current directors	Board
Andrew Cosslett	8/8
Claudia Arney	8/8
Bernard Bot	8/8
Catherine Bradley	8/8
Jeff Carr	8/8
Thierry Garnier	8/8
Sophie Gasperment	8/8
Rakhi Goss-Custard	8/8
Former directors who served during 2021/22	
Tony Buffin[1]	5/5

1. Tony Buffin left the Board on 1 October 2021.

Compliance with the UK Corporate Governance Code

Throughout the year, Kingfisher applied the principles and complied with the provisions of the Code with one exception in respect of Provision 36. The shares awarded under our Delivering Value Incentive (DVI) long-term incentive scheme do not have phased vesting. Instead DVI awards were split into two awards at grant, each subject to a three-year performance period aligned with the company's five-year strategic plan at that time. Our Remuneration Committee continued to keep the DVI, as well as the existing Directors' Remuneration Policy and structure, under review and consulted with major shareholders throughout the year. A new Directors' Remuneration Policy is proposed for approval by shareholders at the 2022 AGM and would replace the DVI with a Performance Share Plan that complies with Provision 36. The new Directors' Remuneration Policy and Report are on pages 75 to 104. The Code is available to view at www.frc.org.uk.

We have published a detailed Corporate Governance Statement (CGS) on our compliance with the Code at www.kingfisher.com. Our website also has copies of: the company's Articles of Association; Matters Reserved for the Board; terms of reference of the Board Committees; Role Profiles for the Chair, the CEO, the Senior Independent Director, a non-executive director, and the Company Secretary. Additional information can be found here:

	Page no. or CGS
1 – Board leadership and company purpose	
Effective and entrepreneurial Board	CGS, Matters Reserved, 42–54
Purpose, value and strategy	CGS
Resources and controls	CGS
Engagement with stakeholders	CGS, 54, 62–67
Workforce policies and practices	CGS, 21–22, 29
2 – Division of responsibilities	
Role of the Chair	CGS, Role Profiles
Composition of the Board	CGS, 55–57
Role of the non-executive director	CGS, Role Document
Board information, time and resource	CGS, 59, 61, 69

	Page no. or CGS
3 – Composition, succession and evaluation	
Appointment to the Board	CGS, 68–69
Board composition	CGS, 55– 57, 68–69
Board evaluation	CGS, 61
4 – Audit, risk and internal control	
Internal and external audit functions	CGS, 73–74
Fair, balanced and understandable	CGS, 71, 108
Risk management	CGS 42– 48, 73–74
5 – Remuneration	
Aligning remuneration to strategy	CGS, 75–104
Policy for executive remuneration	CGS, 79–88
Independent judgement	CGS, 89–104

Key activities of the Kingfisher plc Board in the year

Strategy

- monitored delivery of the 'Powered by Kingfisher' strategic objectives and priorities for each key initiative.
- approved a share buyback programme to return £300m of capital to shareholders.
- monitored the progress of the Screwfix International launch in France.
- reviewed Kingfisher's franchise and partnership strategy and approach.
- considered updates on e-commerce capability, development plans and options.
- oversaw developments to the Group's IT operating model.
- oversaw the ongoing review of the Group's master data.
- received updates on the roll-out of the Responsible Business strategy.
- endorsed the introduction and roll-out of a marketplace initiative.

Shareholder engagement

- conducted a hybrid AGM, encouraging electronic attendance to ensure the safety of all attendees while allowing shareholders to engage with our Board and have their questions answered.
- discussed and actioned feedback from post-results investor roadshows.
- monitored investor consultation around the proposed structure and targets for the 2022 Remuneration Policy.
- received defence planning and shareholder activism updates supported by our brokers.
- reviewed feedback from the Chair following the investor and governance roadshows conducted in the autumn 2021 and January 2022, respectively.

Finance and performance

- reviewed our progress through the CEO's reports, including market and trading updates.
- monitored monthly performance against budget and forecast.
- considered and approved the three-year plan and annual budget.
- reviewed cash flow and dividend cover and determined and recommended the payment of an interim dividend for the six months ended 31 July 2021 and a final dividend in respect of the full year ended 31 January 2022.
- received an update on Kingfisher's credit rating and leverage targets.
- received updates on the status of the Value Taskforce and inventory reduction plan.
- approved the UK tax strategy and required disclosures.
- reviewed reports on customer insights and dashboards with key customer metrics.
- monitored the impact of the Covid pandemic on performance.
- requested and considered updates following deep dives into areas including: Castorama France, Screwfix Mobile, B&Q Kitchens.

People, culture, vision and values

- monitored the Responsible Business priorities and fundamentals that support culture, vision, and values.
- reviewed the output of the COP26 climate change summit and considered key implications for the Group.
- agreed to re-launch the all-colleague 1+1 share plan.
- monitored the level of health and safety incidents across the business.
- received and acted-upon feedback from colleagues through the Kingfisher Colleague Forum (KCF).
- endorsed the appointment of Catherine Bradley as the Board's representative to the KCF from the June 2022 forum.
- considered the People and Culture plan and Inclusion strategy, including key initiatives and learnings from colleague listening, and ensured continued alignment with the Group's strategy.
- considered the findings of the Group Executive and senior management talent review and endorsed the 2021 talent and succession plan.
- received updates on the community investments made during 2021/22.

Governance and risk

- received updates on capital expenditure and investment decisions taken by the Group Investment Committee.
- approved the Modern Slavery Transparency Statement.
- assessed principal and emerging risks, mitigation steps and approved the Group's risk appetite statements.
- received annual updates on the Group's Pensions and Insurance arrangements and Cyber security.
- reviewed and approved the Matters Reserved for the Board and the Committees' terms of reference.
- monitored progress against the actions arising from the Board 2020/21 internally facilitated effectiveness evaluation.
- discussed the findings of the internally facilitated Board effectiveness evaluation and agreed actions for 2022/23.
- received updates on the Group-wide anti-bribery and corruption compliance programme and Whistleblowing Policy.

2021/22 Board effectiveness evaluation

Every year, the Board and Committees conduct an effectiveness evaluation. The process this year was conducted internally, following an external evaluation in 2019 and an internal process in 2020. The questionnaire on Board effectiveness was developed and agreed by the Chair and the Company Secretary and assessed the Board's performance across a range of areas including:

- Composition and dynamics
- Information flows and meeting management
- Strategic issues and oversight
- Contribution and development
- Priorities for change

The effectiveness evaluation resulted in a positive assessment of the effectiveness of the operation of the Board and its Committees, with a conclusion that they are dedicating enough time to the right issues and collaborating well with stakeholders. The Chair has met with each Director and will use the results of the Board evaluation and individual director performance reviews to drive further improvements in Board performance during 2022.

Catherine Bradley, Senior Independent Director, led a separate review of the Chair's performance in January 2022 with support from other non-executive directors whom she met with individually. Her conclusions aligned with those of the Board evaluation, confirming that there were no concerns regarding the Chair's performance.

Further to the 2021/22 Board effectiveness evaluation, the Board has identified the following areas for improvement or implementation:

Areas of focus	Action plan for 2022/23
Strategy and performance	– Board to continue to ensure the key drivers of executional success for the 'Powered by Kingfisher' strategy are implemented. – Continue to plan more banner visits and create opportunities for the Board to engage with a broad range of management across the business.
Board information	– Board to review and assess insight into the experience of our stakeholders in more equal detail. Additional insights to be shared on our suppliers.
Governance	– Chair and the Company Secretary to fine-tune meeting efficiency, including content of the pre-read and structure of the agenda to increase time for discussion. – Non-executive directors to meet more regularly together, including for more informal activity during the year.

2020/21 Internal evaluation progress update

As for the internal Board evaluations conducted between 2019 and 2021, we have made good progress as outlined below:

Areas of focus	Actions taken duruing 2021/22
Strategy and performance	Certain Board meetings each year have been extended to accommodate key strategic and operational topics to a greater degree. The November meeting each year is devoted to consideration of our strategy and the full Group Executive attend and report on delivery against the plan, by banner and Group function. A half-year progress update is presented to the May meeting and the Board also receives extensive quarterly updates from the Results Delivery Office regarding delivery of key strategic priorities. Managing Covid restrictions, the Board reinstated a regular cadence of visits to banners during the year with a successful visit to B&Q in October, including store visits and meetings with local managers.
Board information	Use of a commercial dashboard encompassing market trends, competitor activity, and customer insight is now well established. These are circulated to the Board monthly and presented by the CEO at each scheduled meeting.
Governance	Good interaction continued between the non-executive directors during the year both remotely and in person, subject to Covid; this has been carried forward for further action in 2022/23 when it is hoped these may be scheduled in person.

Consideration of our stakeholders and section 172

Considering our impact on our stakeholders is something the Board and the company spends time on, wherever appropriate. The Board fully appreciates and understands the importance of our many and varied stakeholders in the successful operation of the business. Remaining mindful of our section 172 (1) responsibilities and the needs and concerns of our stakeholders is an intrinsic part of our decision-making processes to ensure our decisions are well-informed by these factors.

The Board and its Committees monitor the effectiveness of engagement with stakeholders through various methods, including, but not limited to the monthly review of customer insight data and consideration of colleague engagement outputs gathered at least annually via a survey and twice a year through the KCF. Further, through the Board and Remuneration Committee annual evaluation process directors rate the engagement mechanisms in place with our different stakeholder groups and are invited to make recommendations for improvement.

Through the adoption of the Kingfisher Code of Conduct we ensure high standards of business conduct for all our stakeholders and seek to promote a culture where transparency and fairness are the norm. The Board has delegated authority to the Responsible Business Committee for oversight of our Responsible Business governance; more detail can be found in the report on page 70.

The Covid pandemic has required additional vigilance and we are firmly committed to meeting the needs of our customers safely, and championing wellness for our colleagues. For the time being, Covid-related safety measures remain in place in all our stores and locations. Read more elsewhere on pages 21 to 22 and in the company's section 172(1) disclosure on page 54.

The following section discusses how the company and the Board have engaged with our stakeholder groups, and how their interests have influenced Board decisions.

The Board's approach to stakeholder engagement

Customers

Who they are	Anyone who visits our stores or online platforms to buy a product or service.
Why Kingfisher engages	Customer safety and satisfaction are pivotal to the success of our business. The needs, behaviours and feedback of our customers are collected, assessed, and used to develop our long-term strategy.

How the Board engages

- Through the CEO and the commercial dashboard, the Board is regularly updated on customer opinion, behaviour and feedback. This includes monthly analysis of the Net Promoter Score (NPS) and Customer Insight reports, which inform our commercial and investment decisions and help us to identify key revenue drivers.
- This commercial dashboard consolidates a broad range of metrics including price index in our key categories, market trends, competitor activity, customer insight, and Sustainable Home Product sales that enable the Board to track and benchmark Kingfisher's progress in key business areas. The Board also receive biannual presentations from the Group Customer and Market Intelligence Director.
- Using the online NPS results across banners we have, among other actions, prioritised improving the customer experience for visitors to the B&Q and Castorama France websites.
- In response to the updates presented, the Board requested further data analysis to ensure we understand the numbers of new customers attracted and our ability to retain them. In addition, we have also recommended the development of strategies to attract more tradespeople to our Big Box and Discounter formats.
- Since 2021 we have been collating data from our banners' customer databases, to provide the Board with visability and the ability to analyse the evolution of the number of active customers, especially the proportion of new customers.
- The Board has delegated responsibility to the Responsible Business Committee for primary governance of Responsible Business practices. This includes the setting of targets for approval by the Board, and the progress of performance against the Responsible Business objectives. More detail can be found in the Responsible Business section on pages 23 to 29 and on page 70 of the Responsible Business Committee report.

How the business engages

- We collect and consider customer research to understand the evolving needs, attitudes, and behaviours of the people that interact with our business.
- We engage in continuous customer surveys to monitor post-purchase or post-interaction perceptions on all our touchpoints through the NPS and the key drivers of customer satisfaction to improve their day-to-day experience.
- We support continuous tracking of customer brand perceptions over time against our competitors on a range of issues, including sustainability.
- We commission ad hoc research to get customer feedback before or just after launching new products, services, or store concepts.
- We receive regular customer insight updates.
- We monitor price indices versus competition in our key categories to ensure we have regular visibility of our customers' price perception. Our 'price reality monitoring' and 'price perception monitoring' give us the agility to adjust our pricing strategies throughout the year.
- We transform our ranges to make greener, healthier homes accessible to everyone using our industry-leading Sustainable Home Product guidelines.

Highlights for the year

- Over 1.4 million customer surveys collected for NPS across our markets during the 2021/22 year.
- 44% of Group sales were from products that create a more sustainable home in 2021/22.

Colleagues

Who they are

Colleagues of Kingfisher plc and its subsidiaries.

Why Kingfisher engages

An effective people strategy and strong culture are essential for the effective delivery of our strategy and ultimately our performance.

Being able to attract, retain, and develop diverse talent is one important part of fostering a stronger, more inclusive culture, as is incorporating the views of colleagues into decisions and being able to accurately assess the impact of those decisions.

How the Board engages

- Under normal circumstances, the Board regularly visits our sites and receives briefings in person from executive leadership to allow it to assess the behaviour and culture of the business.
- Throughout the year and independent of ongoing pandemic restrictions, the Board continued to receive the following updates:
  - The Whistleblowing Report.
  - Briefings from the CEO and Chief People Officer (CPO) on important matters affecting the workforce, including:
    - Investment in training and development of our people, as well as updates on our Responsible Business approach.
    - Results of the colleague engagement survey.
    - Dialogue with, and feedback from, the Kingfisher Pension Trustees.
- The Board and Responsible Business Committee monitor and assess the company's culture and the implementation of the vision and values set by the 'Powered by Kingfisher' and Responsible Business strategies, respectively. During the year the Board considered the People and Culture plan, doing a dedicated session with the CPO. In addition each Responsible Business Committee meeting receives an update on the impact of Responsible Business on colleagues and customers. It also held dedicated sessions on our customer and colleague priorities.
- Through the updates presented to the Board and Responsible Business Committee, the directors have collectively advised and helped to shape our People and Culture plans.
- The Board met in person with high potential colleagues to help inform succession planning and development of the talent pipeline.
- The KCF is the joint forum of Kingfisher-nominated management representatives and formally elected employee representatives. Through our non-executive directors and our CEO we engage in the KCF with colleagues on transnational issues and consult on major decisions. We review details of each meeting and are delighted that the KCF has proven a strong engagement channel. This, alongside the colleague listening and engagement tool implemented in 2021, gives a real opportunity for the views of the workforce to be clearly heard by executive leadership and the Board.

How the business engages

- We regularly communicate using a mix of channels and internal social communication tools such as Yammer, Microsoft Teams and Microsoft's Sharepoint intranet platform, including:
  - Regular communication and engagement via vlogs, Yammer, virtual townhalls, Q&As, and Microsoft Teams.
  - Our training, learning and development opportunities for all colleagues were adapted for remote working.
  - Frequent performance check-ins and online or face-to-face development for all colleagues.
  - Listening groups and affinity networks such as retail banner colleague forums and the gender affinity network.
- Ongoing dialogue with unions where appropriate.
- Training for senior colleagues to support our Inclusion & Diversity action plans.
- Ongoing training of in-house recruiters is helping to minimise the impact of bias and ensure a fair recruitment process.
- Continued to ensure that government guidance in respect of Covid was followed, allowing vulnerable colleagues to self-isolate, supported working from home arrangements, and instituted safe working practices in both our stores and offices.

Highlights for the year

- Over 63,500 colleagues, almost 80% of our total workforce from across the Group, chose to take part in our colleague engagement survey in June 2021.
- Despite the challenges of the pandemic, our employee Net Promoter Score was 48, putting us in the top 10% of global retailers compared to the benchmark of 22.
- As a Group, we made progress in supporting colleagues to develop their skills and fulfil their potential through over 2,270,000 hours of learning across our banners and Group functions.

Stakeholder engagement continued

Investors

Who they are Equity shareholders and providers of debt funding that provide capital to our business.

Why Kingfisher engages Our investors rely on us to protect and manage their capital in a responsible and sustainable way that also generates long-term value. It is critical that investors and potential investors have a full understanding of our business, our strategy, our performance against our strategic objectives, our growth potential, and the risks and uncertainties we are managing.

How the Board engages

- The Board takes ultimate responsibility for how we plan to create sustainable long-term value for investors and this engagement takes place in a frequent and constructive manner.
- The CEO, the CFO, and the Chair of the Board engage with investors regularly throughout the year. Other members of the Board also engaged with shareholders as appropriate, for example during the year meetings were scheduled with the Senior Independent Director and the Chair of the Remuneration Committee.
- When making strategic decisions, the Board draws on the feedback from the engagement it has undertaken and analyses how its choices will impact the delivery of long-term shareholder value. We also consult with shareholders on the potential impact when appropriate.
- Major decisions regarding the allocation of the company's capital are set out within the Matters Reserved for the Board. However, we engage with investors and the company's brokers on a broad range of shareholder returns and capital allocation decisions, including working capital requirements, capital investment opportunities, and matters such as ESG, appetite for mergers and acquisitions (M&A), the Dividend Policy and share repurchase programmes.
- The Remuneration Committee also consults extensively with shareholders on our executive remuneration matters . In 2021/22 it has consulted on the proposed Remuneration Policy as well as the targets for the second half of the DVI which were announced via RNS ahead of the 2021 AGM.
- More detail on the Board's engagement with our shareholders during the year can be found on page 60.

How the business engages

- The AGM enables us to engage directly with our retail shareholders and answer their questions. In 2021, it was held as an electronic meeting to allow our shareholders to continue to participate and attend in the safest manner possible in light of the ongoing Covid pandemic.
- The Annual Report and Accounts.
- Full and half year results presentations, and quarterly trading updates.
- Ad hoc market disclosures through the London Stock Exchange regulatory news service.
- Investor roadshows attended by the CEO and CFO.
- Meetings and calls between major investors and the Chair, Senior Independent Director and Remuneration Committee Chair on governance, ESG, and remuneration matters.
- We do not take any decisions or actions that would provide any shareholder or group of shareholders with any unfair advantage or position compared to the shareholders as a whole.
- During the year, we also undertook specific engagement on our climate change commitments and performance through investor presentations, management roadshows, consultations, and other activities.
- The Remuneration Committee Chair engaged on the company's proposed Remuneration Policy.

Highlights for the year

- The Board welcomes the opportunity to have direct dialogue with retail shareholders at the AGM and to engage via investor roadshows.
- The Board, through the Remuneration Committee, has incorporated ESG priorities and targets into management's remuneration criteria and informed its proposed Directors' Remuneration Policy and related targets for 2022.

Suppliers

Who they are Organisations we work with to deliver products and services to our customers.

Why Kingfisher engages To build and maintain trusted partnerships with our suppliers is critical to meeting customer needs and instrumental in delivering our Responsible Business strategy.

How the Board engages

- Where appropriate, we consider the impact on our suppliers when making key strategic decisions relating to product ranges or supply and logistics.
- The Board does not regularly engage directly with our suppliers but receives frequent reporting from the parts of the company that work with them on a day-to-day basis. During the year, the Board agreed to develop mechanisms to gather additional insights on suppliers' sentiment and review and assess insight into their experience.
- During the year, we approved the Modern Slavery Transparency Statement and received an update on progress across key areas of the business and supply chain. The continued implementation of our Modern Slavery Action Plan covers diligence, ethical audit, supplier and colleague engagement, training, policy and reporting. However, the Group continues to strengthen its monitoring of human rights risks across the business.
- The Audit Committee is regularly updated by each banner CEO and Group function head; these updates include information on suppliers and supply chain resiliency.
- The Responsible Business Committee also receives updates regarding the delivery of the Responsible Business strategic objectives; the Committee's report is on page 70.
- As captured by our recent Board Effectiveness evaluation outlined on page 61, the March 2022 meeting focussed on suppliers. Specifically, considering mechanisms in place to capture insights into the experience of our OEB and Branded suppliers and reviewing and assessing output from the Supplier Survey 2021.

How the business engages

- Engaging suppliers with our Code of Conduct and Responsible Business strategy.
- Conducting supplier ethical risk assessments and audits that look at:
  - Registration on either Sedex or Amfori BSCI, the online supplier data exchanges, for details on our factory base, including ethical audits of high-risk production sites, for our 'goods for resale' (GFR) suppliers.
  - EcoVadis, the sustainability ratings platform, for spend with our 'goods not for resale' (GNFR) suppliers for contract amounts above £75,000.
  - Vendor engagement assessment via an online tool, for spend with GNFR suppliers between £5,000 and £75,000 to screen for things such as business integrity, data protection, information security, and ethical practices.
- Visiting factories and sites.
- Conducting risk-based anti-bribery and corruption due diligence.
- Reviewing our approach to human rights.
- Organising supplier conferences on topics of significance. In November 2021 we conducted an OEB supplier(s) survey and sent it to 737 GFR supplier(s), receiving 513 replies in response. The purpose of this was to gather feedback from supplier(s) and understand main areas of improvement at a regional and buying office level. Overall, 86% of the responses were positive. Improvement action plans will be put in place across our different sourcing markets to address areas of focus.
- Two supplier conferences were organised in Western Europe for GFR OEB suppliers in October (physical) and November (online) 2021, to engage with suppliers.
- Reporting our payment practices under the UK Government's Duty to Report Requirements.

Highlights for the year

- Further details and performance data are set out in our Modern Slavery Act Transparency Statement on our website.

Stakeholder engagement continued

Communities & Non-governmental organisations (NGOs)

Who they are The communities and people who live where we work, and where we source from, as well as the NGOs we work alongside.

Why Kingfisher engages Concerns around the impact of businesses on the environment and their roles in society and climate change have increased. As a result, there are higher expectations on companies to undertake strong environmental, social and governance action.

How the Board engages

- The Board and its Responsible Business Committee are kept updated on the progress of our community programmes and our environmental work. This includes updates on our Forest Positive strategy, our new partnership with the Rainforest Alliance 'Forest Allies', our climate change carbon reduction target, Task Force on Climate-related Financial Disclosures (TCFD) reporting and regular updates on the impact of our community programmes.
- We are committed to having a positive impact on the lives of our customers, colleagues and communities. The Board recognises that expectations around ESG issues continue to increase year on year and is looking to continue building momentum around our Responsible Business and Community strategies and through support of initiatives such as COP26.
- Through updates presented to the Board and Responsible Business Committee, the directors have helped shape our plans for delivery and set targets in this area.

How the business engages

- Ad hoc updates and reporting on matters of importance or emerging issues, such as COP26.
- Forming strategic partnerships and funding with charitable organisations active in the environment and on housing issues that are aligned with our purpose and our Responsible Business priorities:
  - Housing – Shelter in the UK (funding a network of DIY Skills Advisors and Shelter advice and campaigns to improve the quality of UK housing), Fondation Abbé Pierre in France (to support tackling homelessness in France), and our banner charitable foundations (established to help fix bad housing in each of our markets).
  - Providing disaster relief via NGOs including Red Cross and UNICEF.
  - Environmental – Rainforest Alliance – founding member of Rainforest Alliance's Forest Allies programme; funding and support of leading UK green NGOs including Green Alliance, Aldersgate Group, BioRegional, UN Race to Zero Retail breakthroughs and the FSC.
  - Supporting organisations to help us develop our inclusivity agenda, e.g. Business Disability Forum, Stonewall.
  - Collaborating to tackle modern slavery and partnering with the Slave Free Alliance.
  - Supporting the Centre for European Reform to play a constructive and active role in the implementation of Brexit and the future of UK and European relationships.

Highlights for the year

- Participating at COP26 and collaborating with retail peers to help tackle climate change across the retail sector.
- Contributing to positive societal and environmental policy change. For example, the UK Government's commitment to upholding environmental standards after Brexit.
- Delivering on our Forest Positive commitment through forest projects.
- Inclusion of ESG targets in the Kingfisher Performance Share Plan.
- Improving our understanding of the financial impacts of climate-related risks and opportunities, undertook an initial analysis of the physical climate risks facing our property portfolio and improved energy efficiency in our own operations. See pages 23-29 for more detail.

Regulators and Government

Who they are Bodies that supervise our industry and business activities.

Why Kingfisher engages We must maintain the trust of our stakeholders to fully realise our purpose, provide employment opportunities, and contribute to the economic prosperity of the places where our people live and work.

How the Board engages

- The Board receives biannual government affairs reports, containing the main policy and political issues that have a direct operational impact on Kingfisher across all our jurisdictions. An explanation of what action is being taken to monitor and address the key issues is also included.
- The Board receives governance reporting that outlines key governance and regulatory changes that have the potential to impact the company, when required.
- The Board, in coordination with the Group Executive, engages with regulators, government stakeholders and political representatives on an ad hoc basis. This includes responding to policy consultations and formal information requests.
- As well as continued engagement surrounding the pandemic, the company also participated in consultations and engaged with government around UK business rates and changes to energy efficiency schemes for customers.
- We considered some of the key potential implications of the BEIS draft proposals issued in March 2021 to improve trust in audit and corporate governance, particularly in respect of enhanced controls, directors' accountability and liability, greater engagement with stakeholders and the selection and role of the external auditor. These proposals are important, so we ensured that Kingfisher responded to the BEIS consultation as thoroughly as possible with our views.

How the business engages

- We engage with the governments and regulators in each of our key markets as well as with the EU, both directly and through our trade associations (including the British Retail Consortium, the EU DIY Retail Association and the French DIY Retail Association). A full list will be available in the 2022 Responsible Business report.
- Our engagement includes attending government meetings and events, responding to consultations, and participating in parliamentary inquiries.
- The company also regularly engages with regulators, including in the UK, the Registrar of Companies, the Financial Reporting Council (FRC), the London Stock Exchange and Financial Conduct Authority, and the Information Commissioner's Office on matters of statutory or regulatory compliance.

Nomination Committee report

Dear Shareholder,

The role of the Nomination Committee is to ensure the Board maintains the required skills and experience to boost business resilience and deliver the 'Powered by Kingfisher' strategy. This report describes the Committee's activities during the year.

Andrew Cosslett
Chair of the Nomination Committee

21 March 2022

Board composition and succession planning

The Board considers its own performance and composition annually as part of the Board evaluation process. More detail on this process can be found on page 61 of the Corporate Governance report. During the year, the Nomination Committee kept the composition of the Board and its Committees under review, including a review of tenure so that we can best anticipate retirement within our non-executive population and balance continuity with the introduction of fresh perspective. We also continued to plan for the succession of roles at the Board and Group Executive level to maintain the relevant mix of skills, experience, and capabilities in key areas.

To support these processes at Board level, we have utilised our skills and experience matrix to capture and monitor the combined strategic and committee experience considered relevant and appropriate for Kingfisher, as a UK-listed company and an international, matrix-model retail business. Specifically, following the departure of Tony Buffin in October 2021, the Committee initiated the search for an additional non-executive director to join the Board, centred on experience of the home improvement retail sector. The skills of our non-executive directors are summarised on page 57.

	Eligible	Attended
Andrew Cosslett*	3	3
Claudia Arney	3	3
Catherine Bradley	3	3
Jeff Carr	3	3
Sophie Gasperment	3	3
Rakhi Goss-Custard	3	3
Former directors who served during 2021/22		
Tony Buffin	1	1

* Chair of the Committee.

The Nomination Committee is comprised solely of independent non-executive directors. Its terms of reference are reviewed annually and are available on the company's website. The Chair of the Committee reports on its activities during each Board meeting.

The 2021/22 effectiveness evaluation concluded that the Committee operates effectively and raised no areas of immediate concern. More time will be allocated to certain Committee meetings to allow for additional focus on executive succession planning, including the development of high potential internal candidates. Further detail on the evaluation process can be found on page 61.

Selection and appointment of Board members

1. Board composition review	The Committee reviews the structure, size and composition of the Board and its Committees, including the skills and experience matrix, diversity, and tenure of the directors. Having considered this against the company's business model, strategy, and external environment, we then agree the qualities we are looking for going forward.
2. Role brief development	Comprehensive role briefs are prepared, aligned to the desired Board and Committee composition, the skills and experience matrix, our Board Diversity and Inclusion Policy, and any other relevant corporate governance requirements. All role briefs should be free from bias.
3. Shortlisting	The company's retained search consultants prepare an initial longlist of candidates from a broad range of backgrounds. The Chair and Company Secretary then work with the search consultants to refine this into a shortlist for review by the Committee. We then agree the candidates for interview. Where appropriate, the Committee challenges the scope of the search and breadth of the pool from which the long list has been drawn.
4. Interview	Through a multiple-stage interview process, a panel of directors will meet prospective candidates. While the selection of the directors to the panel will be flexed as appropriate for the role in question, the Chair, the Senior Independent Director, and the CEO, always participate. After the first round of interviews, the panel agrees which candidates should be invited for final interview and with whom the candidate should meet.

Selection and appointment of Board members

The Committee is supported by Egon Zehnder and Heidrick & Struggles, our retained search consultants, in our selection and appointment of Board members. Neither consultant has any other relationship with the company or its directors. Both are accredited firms under the UK Government's Enhanced Code of Conduct for Executive Search Firms and signatories to the latest Standard Voluntary Code of Conduct for Executive Search Firms (the Voluntary Code), supporting gender diversity on corporate boards. Upon completion of a search, the Committee will make recommendations for new appointments to the Board for approval.

Diversity and Inclusion

The Kingfisher Board considers that it is in the company's best interests to have a diverse Board that reflects the communities in which we operate. A diverse Board sets a culture that is fully inclusive and engages the rich talents of all the directors. The Board Diversity and Inclusion Policy exists to support the Board in achieving this aim, and the Committee keeps this policy under review and monitors the company's performance against its objectives.

Over the past year, the Policy was assessed, and enhancements were agreed to increase alignment with the company's own goals Group-wide. The refreshed Policy will be published on our website, once final (www.kingfisher.com/corporate-governance).

For the time being, we are satisfied that the objectives and commitments set out in the current Policy were met during the year and that this report provides enhanced reporting, as envisaged by the 2020 Parker Review. Details of the gender and ethnicity of the Board are set out on page 57. Disclosure of gender diversity on the Board, at senior management level and of the total workforce, are published in line with the Act, on page 21.

Following Tony Buffin's departure, the company met Egon Zehnder and the Committee followed the Selection and Appointment Process outlined on page 68 to initiate and conduct a targeted search process for a new director. When creating a new role brief, the Committee always considers the Board's current and desired composition, bearing in mind a mix of backgrounds and diversity that may include race, disability, gender, sexual orientation, beliefs, and age, as well as culture, personality, professional and educational background, and workstyle. The Committee will continue these considerations when we make our recommendation to the Board on any new appointment.

During the year, we continued to meet the targets of the FTSE Women Leaders Review, building on the work of the Hampton-Alexander Review, as well as the Parker Review. Kingfisher's Board exceeds 33% female representation and, since 2016, has included one director who identifies as a director of colour, as defined in the Parker Review. As at 31 January 2022, 31.1% of our Group Executive and their direct reports were female.

Induction

Each new director receives a tailored induction to help establish a broad knowledge and full understanding of the company's operations and challenges, aspirations, and culture. Each induction is phased and allows for customisation with the director based on their feedback. During the year, Catherine Bradley undertook an induction programme. As well as tailored features, each induction programmes ordinarily includes:

- Individual one-to-one meetings with all directors and the Company Secretary
- Meetings with members of the Group Executive, senior members of Group functions and retail banners and dependent on their role, with the external auditors, brokers, investors, and legal advisors
- Briefing sessions on the activities of each of the Board's Committees
- Visits to the company's stores, office locations, and key sites across the business
- Access to the Board's online resources, including to meeting minutes, key reference materials, and briefings on market status and competition

The Board's approach to induction and ongoing director development is discussed further in the Corporate Governance Statement on our website.

Independence, time commitment, and re-election to the Board

New directors are advised of the time commitment expected from them on appointment. During the year, the Committee conducted its annual review of the directors and we believe that, individually, they remain independent; none of them is overextended or unable to fulfil their duties to the Board. All directors are subject to annual re-election by shareholders, as required by the company's Articles of Association.

Kingfisher's policy allows executive directors to hold one external non-executive directorship. Thierry Garnier is a non-executive director of Tesco plc and is a member of its remuneration committee. Bernard Bot is a non-executive director and member of the audit committee of A.P. Møller–Mærsk A/S.

Our areas of focus 2022/23

- Induct a new non-executive director
- Focus on our succession planning at the Board and Group Executive level
- Review and recommend the planned revised Board Diversity and Inclusion Policy, and support delivery of its objectives
- Review the Board's approach to ongoing director development

Responsible Business Committee report

Dear Shareholder,

We are committed, to being a responsible industry leader, and the 'Powered by Kingfisher' strategic plan is an important step in this journey. The main role of the Responsible Business Committee is to ensure that governance across the Group aligns with our ambitions and is always robust, transparent and accountable.
The Committee's role helps set this ambition while also facilitating and monitoring the company's Responsible Business strategy.

This entails critically examining all aspects of the way we work – from how we treat our colleagues and interact with our customers, to our supply chain and our impact on the environment and the communities we serve. Alongside clear policies, we have set ourselves ambitious targets to ensure we take a consistent best practice approach and keep improving and innovating. The Committee's role helps set this ambition, while also facilitating and monitoring the company's Responsible Business strategy. By working hard to create a positive impact for society, we can ensure all our homes, as well as our communities, our forests and our planet, can flourish.

We have identified four key priorities where we believe we can most effectively bring about positive change on some of the big challenges facing society:

Colleagues: creating a more inclusive company

Customers: making greener, healthier homes affordable

Planet: planting more forests than we use

Communities: fighting to fix bad housing

Our four Responsible Business priorities are underpinned by our commitment to our Responsible Business fundamentals, from health and safety to responsible sourcing, cyber security and data protection and ethical conduct.

The Committee has developed an annual forward agenda to oversee (i) key events in the Responsible Business reporting cycle, (ii) progress on our four Responsible Business priorities and fundamentals, and (iii) regulatory or legislative updates relevant to our areas of activity. Pre-read materials for Committee meetings are structured to support the Committee to oversee delivery of our priorities, ensure meaningful focus on the Responsible Business fundamentals and facilitate adequate challenge by Committee members. Committee members also receive a variety of Responsible Business updates on a monthly and quarterly basis. During the year, the Committee agreed that external guest speakers should be scheduled to present to certain Committee meetings to provide more insight on matters of relevance to our strategy.

Further detail on the Responsible Business priorities and fundamentals, together with the business activities delivering progress against them, is set out in the Strategic report on pages 23 to 29 and in the Responsible Business report available on the website.

Our key activities in 2021/22

Received early sight of the 2021/22 Responsible Business report:

- Discussed updates on the impact of Responsible Business on colleagues and customers at each meeting, including a deep dive on colleague communications and engagement

	Eligible	Attended
Sophie Gasperment*	3	3
Rakhi Goss-Custard	3	3
Thierry Garnier	3	3
John Mewett	3	3
Kate Seljeflot	3	3
Henri Solère	3	3

* Chair of the Committee.

The Kingfisher Responsible Business Committee is chaired by Sophie Gasperment who also attended meetings of the Kingfisher Colleague Forum on behalf of the Board during the year. The Committee's terms of reference are reviewed annually and are available on the company's website.

The 2021/22 effectiveness evaluation concluded the Committee operates effectively. The review invited the Committee to pay particular attention to the integration of our Responsible Business practices within each banner as the new 'Powered by Kingfisher' operating model was deployed, and to support colleague and customer engagement throughout the business. Further detail on the evaluation process can be found on page 61.

- Reviewed updates on the Responsible Business strategy and reporting on our four priority areas:
  - *Colleagues* – Diversity and Inclusion, including feedback on the Inclusive Leadership intervention training
  - *Customers* – Sustainable Home Products, including target setting and further roll-out plans for sustainable products and products for sustainable living
  - *Planet* – Forest Positive and Climate Change, including updates on the company's science-based carbon reduction targets, climate change reporting, specifically TCFD readiness, and COP26
  - *Communities* – Banner updates, specifically on their Responsible Business strategy targets and performance, including from Screwfix and Castorama France
- Received presentations on certain of our Responsible Business fundamentals, including human rights with an external guest presenter from the Slave Free Alliance

Our areas of focus for 2022/23

- *Colleagues* and *Customers* – adapt our engagement tools and increase interaction with our banners to further equip our colleagues as Responsible Business champions and further resonate with our customers
- *Planet* and *Communities* – develop opportunities to further monitor customer trends and supplier sentiment

Sophie Gasperment
Chair of the Responsible Business Committee

21 March 2022

Audit Committee report

Dear Shareholder,

The role of the Audit Committee is to provide independent challenge and oversight on behalf of the Board, of the accounting, financial reporting, risk management and internal control systems of the Group. It also oversees our internal audit function and Kingfisher's relationship with our external auditor, Deloitte LLP (Deloitte). The Committee has an annual forward agenda which evolves as the risks and priorities of the business change.

During the year, we considered briefings from Deloitte and management on emerging reporting and accounting regulation and standards. Specifically, the business implications for Kingfisher of the Department for Business, Energy & Industrial Strategy ('BEIS') proposals issued in March 2021 to improve trust in audit and corporate governance and particularly, in respect of enhanced controls, directors' accountability and liability, greater engagement with stakeholders and the selection and role of the external auditor. These proposals are important, so we ensured that Kingfisher responded to the BEIS consultation as thoroughly as possible with our views.

This report describes the Committee's activities during the year.

Jeff Carr
Chair of the Audit Committee

21 March 2022

	Eligible	Attended
Jeff Carr*	4	4
Catherine Bradley	4	4
Rakhi Goss-Custard	4	4
Former directors who served during 2021/22		
Tony Buffin	3	3

* Chair of the Committee.

The Audit Committee is comprised solely of independent non-executive directors. Jeff Carr is a qualified chartered accountant and a CFO with experience in both the retail sector and UK listed companies. His financial experience makes him the right person to fulfil the Committee's responsibilities and the Code requirements. The Committee's terms of reference are reviewed annually and are available on the company's website.

The Chair of the Committee reports on its activities during each Board meeting. The 2021/22 effectiveness evaluation concluded that the Committee operates effectively and raised no areas of immediate concern. Further detail on the evaluation process can be found on page 61.

Always 'fair, balanced and understandable'

All company financial statements and results announcements are reviewed by the Committee with the support of the Disclosure Committee. The Disclosure Committee is comprised of the CFO, Group Company Secretary, Group General Counsel, and Group Investor Relations Director. It is the Committee's role to consider and challenge management regarding accounting principles, policies and practices applied, as well as any financial reporting issues and significant judgements made.

After reviewing the 2021/22 Annual Report and Accounts and full-year results announcement, we recommended to the Board that the disclosures, and the processes and controls underlying their production, met the legal and regulatory requirements for a UK-listed company. We believe that taken as a whole, the Annual Report and Accounts and announcement of full-year results were fair, balanced, and understandable. Our review extended to the publication of these documents in a structured XHTML web browser format and electronic tagging of the primary financial statements.

Going concern and viability statements

The Committee received a report on both the company's ability to continue operating as a going concern and on the rationale and risk mitigations underpinning the sensitivity analysis undertaken. It was essential to consider how these aligned to the delivery of the strategic plan particularly regarding the ongoing impacts of the Covid pandemic. Following review, we recommended both statements for approval by the Board. The viability and going concern statements are set out on pages 49 to 50, respectively.

Significant financial reporting matters

We assess all issues that may affect the integrity of the company's published financial statements to ensure that each is treated appropriately. For 2021/22, we monitored the following significant financial reporting matters in particular and took appropriate actions. The Committee discussed these matters with Deloitte and, where appropriate, they have been addressed as key audit matters in the Independent auditor's report on page 109.

Audit Committee report continued

Matter considered	Role of the Committee	Conclusion
– Does the carrying value of stores require any **store impairment** charges or reversals?	– We examined the results of management's year-end impairment exercise and assessed the validity of cash flow projections based on the company's three-year strategic plans and the financial assumptions used. These included forecast sales growth, margin and operating profit percentages, allocation of central overheads, discount rates and long-term growth rates. – We looked at the implications of improvements in actual and forecast performance, particularly at B&Q and Castorama France, which had previously suffered from significant adjusting impairment losses. Our consideration included actual trading during the pandemic, expectations on the future market environment, and the impact of Kingfisher's strategy on these.	– The Committee endorsed the recognition of store net impairment reversals of £33m (recorded as adjusting items), principally in B&Q and Castorama France. Refer to notes 3, 5, 15, and 17 to the consolidated financial statements.
– What should the treatment of liabilities and contingent liabilities be in relation to uncertain **tax positions**?	– We reviewed various tax positions and audits across the Group's jurisdictions. These included transfer pricing arrangements and the European Commission state aid investigation. This review included the appropriate recognition and measurement of liabilities recorded, and the classification and disclosures of contingent liabilities.	– The Committee endorsed management's accounting judgements and assumptions relating to uncertain tax positions. – In relation to the state aid case, a non-current asset of £64m is recorded on the balance sheet, reflecting the amount paid to the UK tax authorities in 2021/22. A liability of £9m in relation to an uncertain operating tax position in France was released as an adjusting item. Refer to notes 3, 5, 10, 37 and 39 to the consolidated financial statements.
– What are the principal judgements relating to **inventory valuation**?	– We closely monitored the levels of inventory in each banner as well as the performance of the Group's OEB and the estimated impacts on future selling prices of range review and clearance activities. This included consideration of our strong trading performance, the rebuilding of stock levels across the banners, new ranges such as kitchens and the impact of inflation and disruption to the supply chain. – The key consideration was the appropriateness of the Group's inventory provisions and policy, which considers factors including stock turn, range or de-listed status, shrinkage, damage, and obsolescence when assessing net realisable value.	– Management's accounting and principal judgements relating to inventory valuation (£2.7bn in note 19 to the consolidated financial statements) were all endorsed. The Committee agreed that the level of provisions was appropriate considering the profile of inventories held by the Group at the reporting date. Refer to notes 3 and 19 to the consolidated financial statements.
– Should management's assessment of **adjusting items** be endorsed?	– The Committee was asked to examine the way 'adjusting items' are classified, including impairment reversals of stores (as noted above), the release of liabilities in relation to tax positions and other adjusting tax items. Whether an item is treated as 'adjusting' falls outside of IFRS and the Group makes its own determination, in accordance with its policies and practice. Refer to note 2 to the consolidated financial statements for the definition of adjusting items.	– The Committee was satisfied that the Group's policy for the classification of 'adjusting items', amounting to a £106m net credit after tax in the year, had been applied consistently and appropriately. The Committee also endorsed the changes in terminology and income statement presentation of adjusting items. Refer to notes 2, 3 and 5 to the consolidated financial statements.

External audit

The Committee's oversight of our relationship with our external auditor includes making recommendations to the Board regarding their appointment, reappointment, and removal, as well as continuously assessing Deloitte's independence and negotiating the audit fee.

The Committee reviewed the terms of engagement and fees payable for the 2021/22 audit work. The fees paid to Deloitte for its audit services in that period are set out in note 8 on page 138. Deloitte were appointed as auditor in 2009/10 and subsequently reappointed in 2019/20 after a comprehensive and competitive audit tender process. Nicola Mitchell has been external audit engagement partner since the start of the 2019/20 process. Kingfisher complies with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 and the Code.

Non-audit services

Deloitte also engages in a range of non-statutory audit services such as the interim review, additional assurance procedures, shareholder circulars, regulatory filings and certain business acquisitions and disposals for which we may consider them from time to time. Work in any of these areas is awarded by competitive tender.

We review our policy governing the use of Deloitte to provide non-audit work each year to make sure it reflects the FRC's Ethical Standard as applied to listed public interest entities. The current policy dated September 2020 can be found on the website. Fees for non-audit services are also set out in note 8 on page 138.

Independence, effectiveness, and reappointment

During the year, the Committee considered Deloitte's independence and decided that no breaches of policy had been identified. We have not found anything that would call into question their independence or objectivity in providing a true and fair opinion on the company's financial statements and Annual Report. In addition, Deloitte confirmed it was not aware of anything that it should bring to the company's attention in relation to its independence and objectivity. The Committee also considered Deloitte's effectiveness and, through a survey of the Committee members and management, reviewed the experience and expertise of the audit team, as well as the quality of planning and execution of the audit. This review was supported by management discussions and feedback from the banners and Group functions, with the conclusion reached that the audit was judged to be effective. For the financial year ending 2021/22, the Committee recommended Deloitte's reappointment under the current external audit contract to the Board and this was approved at the Committee's June meeting and subsequent 2021 AGM. The Board expects to propose Deloitte's reappointment at the 2022 AGM. The company will be required to put its external audit process out to tender again no later than 2029.

Accountability, risk management and internal control

Ensuring accountability

On behalf of the Board, the Audit Committee oversees the company's system of internal control, including its risk management framework and the work of the Internal Audit function.

Internal Audit reports directly to the Committee, which has authority to review any part of the organisation and to oversee the audit committees of the retail banners. Internal Audit reports annually to the Board and regularly to the Committee so that our leadership always has objective assurance on the control environment across the Kingfisher Group.

The Group's approach in this complies with the requirements of the Code and was developed with reference to the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Committee provides an independent overview of internal control matters while Deloitte's reports to the Committee include key audit risk and control findings relevant to the audit process.

During the year, the Committee has monitored the implementation of an enhanced framework for internal controls over financial reporting and the related developments in proposed new UK legislation and best practice following the BEIS consultation.

A revised risk based controls framework has been introduced, controls organisation roles and responsibilities have been updated and a full design assessment of financial controls has been performed and documented. The completed design assessments will be used to steer improvement opportunities and also as the basis for the introduction of substantive testing of controls during the year ahead.

The Committee has also reviewed litigation and compliance updates to closely monitor adequacy and effectiveness of our compliance and ethical conduct policies and controls.

Managing risk and internal control

The risk assessment process in place across the Group directly impacts the way in which significant business risks are managed. The Committee's consideration of risk management and internal control is driven primarily by the company's assessment of its emerging and principal risks and uncertainties, discussed on pages 42 to 48. During the year, the Committee also received briefings from the Internal Audit and Risk Director, as well as from retail banner CEOs and Group function directors, on operational risks and associated controls, including on risk mitigation and control improvements.

Audit Committee report continued

The Board is responsible for establishing a framework of prudent and effective controls for assessing and managing risk. Our internal control environment is codified in a suite of policies, procedures, operating standards, and delegated authorities to ensure the right actions are approved and taken quickly. We aim to manage rather than eliminate the risk of failure to achieve our business objectives as it is not possible to provide absolute assurance against material misstatement or loss.

Management is responsible for applying judgement when evaluating and managing the risks the company faces as part of its operations. The company's approach to risk management is also discussed on pages 42 to 48.

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

- The annual planning process and regular financial reporting to compare our results with those set out in our strategic plan and against previous performance
- Quarterly updates on the internal controls relating to financial reporting
- Reports from the CEO and CFO at each Board meeting
- Documented reports from banner CEOs and Group function directors on the control environment in their businesses and improvements made thereto
- Reports and presentations to the Board on certain specialist risks, including treasury, insurance, tax, governance, cyber threats, and pensions

Additionally, banner CEOs and Group function directors certify quarterly compliance with the company's policies and procedures and that the relevant internal controls were in operation during the period. Any weaknesses are highlighted, and the results are reviewed by the Internal Audit and Risk Director, the CFO, the Committee, and the Board.

Each year, the Internal Audit function's reviews are aligned to the company's risks. The function works with the banners and Group functions to develop, improve, and further embed risk management tools and processes into their operations.

Group Internal Audit

During the year, the Committee received progress updates from the Internal Audit and Risk Director on:

- delivery of the Internal Audit change programme designed to strengthen the role of Internal Audit
- on the company's risk management systems, the Group's operational response and detailed outputs of internal audits conducted on several areas, including:
  - Foundational controls including rebates, stock financial controls, transfer pricing, vendor sustainability and ethical sourcing, and SAP access controls
  - Strategy and projects including Installations, Results Delivery Office reporting of KPIs, and Automation Centre of Excellence

The remit, organisation, and resources of the Internal Audit function were also reviewed against the roadmap and milestones identified in the 2020/21 Internal Audit effectiveness evaluation. The evaluation was conducted internally by the Group Company Secretary and captured the views of Committee members, relevant executive directors, and senior management including banner CEOs and Group function directors.

During 2020/21, Ernst & Young LLP (EY) conducted an independent evaluation of the effectiveness of the Internal Audit function. An Internal Audit roadmap and milestones for delivery during 2021/22 and beyond were developed and approved by the Committee. During 2021/22, good progress has been made against that roadmap, including:

- Implementation of a more centralised internal audit staff pool to create more independence and agility
- Consolidation of teams into a small number of key market hubs, with a revised span of control
- Appointment of an Asia team to focus on sourcing and supply chain risk
- Design, build and implementation of a new audit management system delivering enhanced, real-time reporting
- Transition of the UK store audit team into the business, delivering efficiency and greater clarity on our lines of defence

Roadmap actions continue into 2022/23, with a focus on embedding existing change and driving greater maturity in ways of working.

Directors' remuneration report

Dear Shareholder,

As Chair of Kingfisher's Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the financial year ended 31 January 2022. In this statement, I describe the key items considered by the Committee during the financial year, including:

– our proposed Directors' Remuneration Policy which will be put forward to shareholders at the 2022 AGM for their approval; and
– the incentive outcomes for the year as well as the broader context of remuneration at Kingfisher. These are contained within our Annual Remuneration Report which describes how the Policy was put into practice during 2021/22, and how the new Policy will be implemented in 2022/23 (subject to approval). This, together with the Annual Statement, will be put to an advisory vote at the 2022 AGM.

In this report

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89	Annual Report on Remuneration
103	Statement of Implementation of the Remuneration Policy for 2022/23

About this report

The Directors' Remuneration Report, on pages 75 to 104, has been prepared in compliance with the remuneration disclosures required under the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

Performance during the year

Kingfisher's 2021/22 financial results have been the best in its 40-year history with growth across all of our banners and product categories. The Group delivered sales of £13,183m, a 9.9% like-for-like (LFL) growth from last year and adjusted pre-tax profit of £949m, an increase of over 20%. As a result of this performance, the Board is proposing a total dividend of 12.40p per share, a 50% increase from last year. This is on top of the share buyback programme announced during the year, which combined with the dividend proposals results in over £550m being delivered to shareholders. We have continued to deliver on our 'Powered by Kingfisher' strategy including leading our industry in Responsible Business practices. This includes becoming a founding member of the Rainforest Alliance Forest Allies, announcing a science based carbon reduction target and £4m community investment during the year, further details of which can be found on pages 23 to 29. We have also considered our broader colleague population, further details of which are provided later in this statement.

All of this has been achieved across a challenging backdrop. I echo the statements of our Chair and CEO and thank our colleagues for their hard work and support during the year.

Remuneration decisions made during the year

Taking into account the strong performance during the year and our continuing commitment to ensuring that executives are focused on long-term outcomes and aligned to our strategic priorities, the Committee implemented the Policy in 2021/22 as follows:

Salary increases

A salary increase of 2% was awarded to the executive directors effective from 1 April 2021. This increase was in line with the increase offered to our wider UK workforce and is a reflection of their strong performance during the 2020/21 year.

A salary increase of 3% will be awarded to the executive directors effective from 1 April 2022. Like the prior year's increase, this is in line with the increase offered to our wider UK workforce and reflective of their continuing strong performance.

Annual Bonus outturn

The 2021/22 Annual Bonus was assessed against the key strategic measures linked to our strategic priorities which include adjusted pre-tax profit, LFL Sales Growth, Free Cash Flow (FCF), Digital and Own Brand (OEB) sales growth, Planet and Diversity and Inclusion (D&I). In line with the Policy, the Committee reviewed the outcome of each measure and also undertook a holistic view of the outturn versus underlying performance and value delivered to our shareholders.

The majority of the measures were met in full including LFL Sales Growth and adjusted pre-tax profit. This has resulted in a formulaic outturn of 97.5% of maximum which is equivalent to 78% of salary for the executive directors. The Committee considered this level of outturn to be appropriate given the strong overall financial performance over the year and that over £550m will be delivered back to shareholders via proposed dividends and the ongoing share buyback programme.

Full detail on the performance against each of the 2021/22 strategic measures can be found on page 93.

2019 Alignment Shares

Performance against the underpins attached to the 2019 Alignment Shares granted to both executive directors was assessed by the Committee as at the end of 31 January 2022 ahead of the awards vesting.

Both underpins have been met with the Net Debt to EBITDA ratio less than 2.5 times, the dividend cover over 1.75 times and the 2021/22 dividend payments being above the required 10.82p threshold. The Net Debt to EBITDA ratio underpin would have also been met under the prior IAS 17 accounting standard. Therefore, the Committee concluded that this award vests at 100% for the executive directors. This award vests in July 2022 and is subject to a two-year holding period.

Full detail on performance against the underpins for the 2019 Alignment Shares and the vesting outcomes for the executive directors can be found on pages 93-94.

Outcome of the first performance period of the Delivering Value Incentive (DVI)

In 2019, both the executive directors received an award under the DVI which vests in July 2024. The vesting of this award is dependent on achievement against EPS, ROCE and Relative TSR performance targets. Performance is measured within a five-year time horizon of the award over two performance periods, each applying to one half of the total award (i) 1 February 2019 to 31 January 2022 and (ii) 1 February 2021 to 31 January 2024. The vesting of the award is also subject to a quality of earnings test prior to the vesting date which the Committee will use to determine if the formulaic outturn is reasonable, adjusting accordingly. This test includes (but is not limited to) considering the overall execution of the strategy, balance sheet health, the relative performance of growth vs. returns and the overall GDP growth level in the economy.

Details of the formulaic outturn of the first performance period have been included for transparency in the Annual Report on Remuneration and can be found on page 100.

The Committee did not exercise any discretion in determining the 2021/22 Bonus outcomes and 2019 Alignment Share award outcomes for the year being reported on and is confident that the current Remuneration Policy has operated as intended during the year.

Remuneration Policy

In June 2020, Kingfisher launched the 'Powered by Kingfisher' strategy. This strategic plan, with its focus on distinct retail banners addressing diverse customer needs and being 'powered' by the Group, involves developing and growing a long-term sustainable business underpinned by incremental growth in sales and profit. As evidenced by our strong results since the implementation of the strategy in 2020, our progress against our strategic priorities has been driven by the actions and efforts of all our colleagues.

However, the new strategy means that the variable pay components of the current policy, linked to the 'ONE Kingfisher' strategy, with a small Annual Bonus focused on transformation rather than financial performance, Alignment Shares to provide a link to the long-term health of the company and the DVI granted every three years linked to the transformation agenda, is no longer fit for purpose.

With this in mind, in 2021, the Committee undertook an extensive review of the Policy and its implementation to determine which reward arrangements would be more suitable in driving the long-term strategic priorities of the Group. The Committee also wanted to ensure that the arrangements are simpler and clearer for participants and other stakeholders and continue to align outcomes and actions with shareholders' expectations.

The Committee concluded that the current structure should be replaced with a more market aligned approach consisting of an Annual Bonus with part deferred into shares and a Performance Share Plan (PSP) granted annually. The proposed changes to the incentives are as follows:

- The Annual Bonus opportunity for the CEO and CFO (and any other executive directors) is now proposed to be 200% and 190% of salary respectively with anything earned over 100% of salary deferred into shares for three years. The bonus measures will be at least 70% based on financial measures with the remainder based on strategic measures. The current policy allows for a smaller bonus of 80% of salary based on transformational/operational measures.
- The proposed bonus deferral into shares is to ensure continued alignment to long-term value creation with the length of the deferral period aligned to market norms. The approach of deferring anything earned above 100% of salary helps facilitate the transition from the current arrangements to the proposed arrangements.
- The proposed Annual Bonus measures for 2022/23 for the CEO and CFO are adjusted pre-tax profit, LFL Sales Growth, both with a 40% weighting with 20% on strategic measures which are OEB Sales Growth and Digital Sales Growth for the year.
- No further Alignment Shares or DVI grants will be made. One sole long-term incentive plan is proposed: the PSP which will be granted annually with a maximum opportunity of 275% and 260% of salary for the CEO and CFO respectively. The performance conditions attached to the vesting of the PSP are proposed to be EPS, ROCE, Relative TSR and ESG measures, each with a 25% weighting. The proposed targets for the 2022 PSP are detailed on page 101. The targets have been set as stretching versus internal plans and consensus taking into account the level of opportunity available. Overall the impact of the changes on the incentive structure and opportunity results in a lower level of pay for target performance and a modest increase for maximum or stretching performance. The PSP awards will be granted under a new set of share plan rules known as the Kingfisher Performance Share Plan (KPSP) which will be submitted to shareholders for their approval at the 2022 AGM.

It is the Committee's view that the new incentive arrangements are appropriate for Kingfisher and supportive of the strategy both in the structure and the choice of performance measures for the bonus and PSP.

In addition, the Committee is also proposing the following changes:

- An increase to the share ownership requirement for the CFO from 250% to 270% of salary to ensure that the requirement is appropriate within the context of the PSP opportunity. The requirement to hold 100% of the shareholding requirement for two years post-exit remains unchanged.
- The removal of reference in the base salary policy to the use of the FTSE 25 - 75 (excluding financial services companies), FTSE 100 retailers and privately held retailers considered to be of a similar size and market capitalisation to the company when setting base salaries for executive directors. This wording will be simplified to allow the Committee to consider any appropriate benchmark which reflects the size and complexity of the company as well as the sector. The base salary increase cap of 8% per annum will also be removed. This removal is to align with market norms. The wording in the policy will make it clear that the Committee will not award salary increases that exceed the workforce average unless there are exceptional circumstances.

- The Policy also now explicitly includes a Chair fee for the Responsible Business Committee and membership fees for the Audit, Remuneration and Responsible Business Committees. These were allowed under the previous Policy but have now been implemented and so are explicitly detailed in the Policy table for transparency.

Further details on the proposals can be found in the Remuneration Policy section on pages 79 to 88.

Shareholder engagement

During the year we undertook extensive consultation with major investors and proxy voting agencies on our proposals including our proposed 2022 PSP targets. We thank them for their engagement and the feedback received.

Overall shareholders understood and supported the rationale for the changes that we are making, and particularly the move to a more standard UK remuneration structure that aligns with typical market practice and significantly improves the simplicity of the package.

Some shareholders did note the maximum levels of award available under the PSP which have been set to reflect the strong track record and experience of our executive directors. We are however very conscious that maximum payouts should only be delivered for truly superior performance and we have calibrated the performance targets to reflect this. We would also note that the impact of the changes to the remuneration structure overall result in a reduction in available pay for target performance and a very modest increase for maximum performance. Therefore, the overall quantum available under the package is entirely appropriate and in line with what would be expected for a business of the size and complexity of Kingfisher. We thank them for their engagement and the feedback received.

Changes to NED and Chair's fees

The Board reviewed the NED fees in 2021/22 and agreed effective 1 February 2022 that a fee will be introduced for the membership of each of the Audit Committee, Remuneration Committee, and Responsible Business Committee of £10,000. The introduction of these membership fees is allowed within the current Policy, however for transparency, it has been explicitly included in the proposed Policy along with the fee introduced for the Responsible Business Chair last year.

Separately, in respect of the Company Chair's fee, the Committee has agreed to award a 3% increase effective 1 February 2022. The Chair has not received a fee increase since his appointment in 2017 and the increase is aligned to the wider workforce increase for this year.

Key remuneration decisions for 2022/23

The Committee will implement the new Remuneration Policy in 2022/23 subject to approval at the 2022 AGM including the 2022 PSP award which will be granted after the AGM (which is also subject to the approval of the new plan rules). For more details on the key remuneration decisions and application of the Policy for 2022/23, see page 103 of the Annual Report on Remuneration.

Consideration of the broader context

It is Kingfisher's colleagues who make all the difference every day for our customers and that is why the Committee continues to oversee the drive for fair employment practices across the whole workforce. We believe that having a diverse workforce, with fair representation, is strategically important and generates value for all our stakeholders.

This year, pay reviews have been focused on improving the hourly rates of our store colleagues. In addition, during 2021, ad-hoc bonuses were awarded to store colleagues in France and we also conducted an additional pay review for UK colleagues.

In 2020 we launched the 1+1 Sharing in Our Future share plan, a one-off share purchase plan that over 9,000 colleagues elected to join. We were very pleased with the take-up rate. 'Purchased shares' were bought in July 2021 using participants' contributions; and 'matching shares' allocated by Kingfisher on a one-for-one basis up to a value of £1,500 per participant.

We are introducing another 1+1 share plan to continue to give colleagues the opportunity to share in our future. It is intended that this plan will be launched later this year.

The Committee also oversaw Kingfisher's fifth gender pay report, which is available on our corporate website. While this analysis is a statutory requirement in the UK, management also produces additional analysis to support pay decisions across all our markets to ensure fair representation. For the fourth year, we have disclosed our CEO pay ratio (see page 98), which the Committee reviews annually.

In 2019, the Group established the Kingfisher Colleague Forum, a pan-European employee-led consultative body that meets at least twice a year, with attendance by at least one non-executive director and members of the Group Executive at each scheduled meeting. This, alongside our regular engagement surveys, has provided an opportunity to hear the workforce's views on a range of issues, including on reward arrangements at Kingfisher.

Looking ahead

The Committee remains committed to ensuring that we have an open and transparent dialogue with shareholders and other stakeholders and so welcomes any questions you may have on the implementation of our Remuneration Policy in 2021/22, our new proposed Remuneration Policy and how we intend to implement that Policy in the coming year, or any other relevant topics.

I look forward to receiving your support for our Annual Report on Remuneration, our new Remuneration Policy as well as the new share plan rules at the 2022 AGM.

Claudia Arney
Chair of the Remuneration Committee

21 March 2022

Remuneration at a Glance

The following page provides our simplified Remuneration Principles, a summary of the new Remuneration Policy and its proposed implementation in 2022/23 and a summary of the implementation of the current Policy in 2021/22.

Remuneration principles

Simple, transparent and relevant	Supports long-term value creation	Fully supports Kingfisher's purpose and values	Rewards for strategy delivery and performance

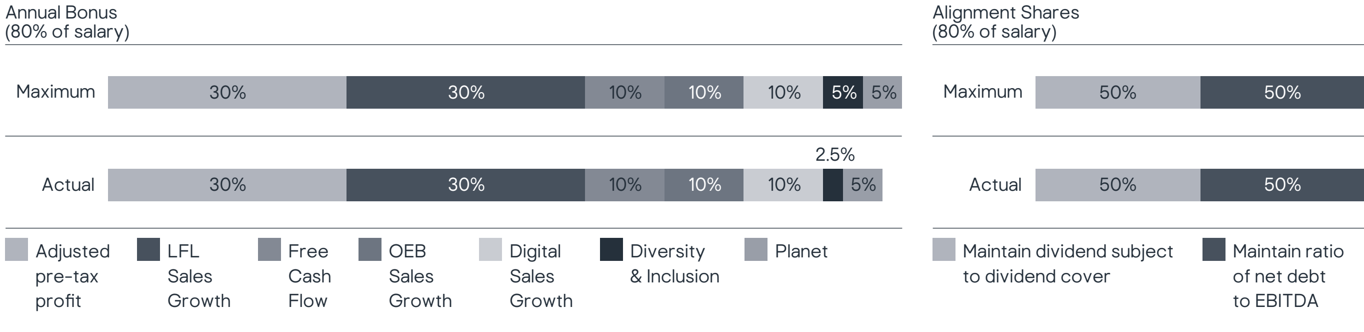
Summary of proposed policy and implementation for 2022/23

	Summary	Measures	Alignment to strategy
Base salary	For 2022: – CEO: £840,500 (3% increase) – CFO: £593,600 (3% increase)		Reflects the individual's role, experience and contribution to the company and is set at levels that support the recruitment and retention of executive directors of the calibre required by the company.
Annual Bonus	Maximum opportunity – CEO: 200% of salary – CFO: 190% of salary Performance is assessed over one year. Any bonus earned over 100% of salary is deferred into shares for three years.	– 40% LFL Sales Growth – 40% Adjusted pre-tax profit – 10% OEB Sales Growth – 10% Digital Sales Growth	Incentivises executive directors to achieve or exceed annual financial and strategic objectives set by the Committee at the start of each financial year. Long-term shareholder alignment provided through bonus deferral.
Performance Share Plan	Maximum opportunity – CEO: 275% of salary – CFO: 260% of salary Awards vest subject to performance over three financial years and are subject to a further two-year holding period.	– 25% EPS – 25% ROCE – 25% Relative TSR – 25% on a basket of ESG measures	EPS, ROCE and ESG are aligned to the strategy while relative TSR ensures that payout for participants is aligned to value creation for shareholders. ESG reflects the importance of our Responsible Business agenda and to recognise our long-term goals and commitments.
Share ownership requirements	– CEO: 350% of salary – CFO: 270% of salary (previously 250%) Executives are additionally required to hold 100% of the shareholding requirement for a period of two years post-employment.		To ensure the alignment of the interests of executives and shareholders over the long term, executive directors are required to build a significant shareholding.

Our FY 2021/22 performance highlights

Adjusted Pre-Tax Profit	LFL Sales Growth	Free Cash Flow	Net debt to EBITDA	Total Dividend
£949m	**9.9%**	**£385m**	**1.0x**	**12.40p**

Our FY 2021/22 Incentive Outcomes



Remuneration in 2021/22

	Fixed pay	Annual Bonus outcome			Alignment Shares outcome			Total single figure
	£000's	% of max	% of salary	£000's	% of max	% of salary	£000's	£000's
CEO	958.3	97.5%	78%	634.4	100%	80%	1,022.5	2,615.2
CFO	681.6	97.5%	78%	448.0	100%	80%	369.7	1,499.3

Directors' Remuneration Policy (to be submitted for shareholder approval at the 2022 AGM)

Shareholders approved the current Policy at the AGM held on 9 July 2019, with a vote of 97% in favour. The full version of the current shareholder-approved Policy can be found on the company's website at www.kingfisher.com/annual-sustainability-reports.html.

As required under the Companies Act 2006, a new Policy will be presented to shareholders for approval at the 22 June AGM which is detailed in full in the following section. If approved, the Policy will take effect from the date of the AGM. The new Remuneration Policy will also be available on the company's website following the AGM.

In developing the 2022 Remuneration Policy, the Committee considered the 'Powered by Kingfisher' strategy, market practice and best practice corporate governance guidelines. It also took into account guidelines issued by the Investment Association, Institutional Shareholder Services and Glass Lewis. The Committee also consulted with the Group's largest shareholders (as well as shareholder bodies/proxy advisors) in respect of the proposed changes to the Policy and took these into account when finalising the proposed Policy. Whilst colleagues have not been formally consulted on the proposals, we took the opportunity to talk to our colleagues on the executive director arrangements to date at one of the forums. Details on how the Committee avoids conflicts of interests and the role of the Committee can be found on pages 89 and 90.

In its review, the Committee concluded that the Remuneration Policy approved at the 2019 AGM was no longer fit for purpose given the change in strategy from the transformative 'One Kingfisher' to 'Powered by Kingfisher' which is focused on incremental growth in sales and profitability. Therefore, the Remuneration Policy which will be submitted to shareholders at the 2022 AGM differs from the current Policy as follows:

- The maximum annual bonus opportunity is now 200% of salary for the CEO and 190% for the CFO, with any amount earned over 100% of salary deferred into shares for three years.
- At least 70% of the Annual Bonus is dependent on financial measures.
- Alignment Shares will be discontinued (these had an opportunity of 80% of salary and were granted annually).
- The Delivering Value Incentive (DVI) Plan, which is granted every three years with a maximum opportunity of 880%/800% of salary for CEO/CFO is being replaced with a Performance Share Plan (PSP) granted annually with an opportunity of up to 275% of salary for the CEO and 260% of salary for the CFO each year.
- Performance under the PSP is measured over a three-year period instead of over a five-year period. Any vested shares are subject to an additional two-year holding period. At least 50% of the award will be based on financial measures.

The rationale for these changes is as follows:

- The new structure is more aligned to market norms and is supportive of our strategy of incremental growth yet also ensures continued focus on long-term value creation via the bonus deferral and the PSP.
- Annual long term incentive grants, rather than grants every three years, ensures that targets can be set which are aligned to the long-term strategy as it evolves, ensuring that incentive targets remain stretching.
- The approach is simpler and easier to cascade across the colleague population.
- The opportunities offered remain motivational and attractive to executive directors. The targets attached to the vesting of the awards will be suitably stretching ensuring an appropriate pay for performance link.
- Deferral of any bonus earned above 100% of salary maintains a similar level of annual cash opportunity and takes into account that Alignment Shares were subject to performance underpins rather than performance conditions. A three-year bonus deferral period is aligned to market norms.
- The focus on financial measures in the Annual Bonus and PSP ensures alignment of Kingfisher's financial priorities, and its other strategic non-financial priorities.

The Remuneration Policy has also been updated with the following changes:

- Replacement of FTSE 25 -75 (excluding financial services) and FTSE retailers and privately held companies as comparator groups used for determining base salaries with wording to allow more flexibility in choice of comparator groups, which are more appropriate for Kingfisher.
- The 8% per annum salary increase cap has been replaced with wording that salary increases will be no more than the workforce average unless there are exceptional circumstances. This change is aligned to market norms.
- Increase in shareholding requirement for the CFO to 270% of salary from 250% of salary which is above current market norms and in line with the market positioning of the CEO's shareholding requirement (of 350% of salary).
- The explicit inclusion of a chair fee for the Responsible Business Committee and member fees for the Audit, Remuneration and Responsible Business Committees. These were permitted under the previous Policy but have now been implemented and are explicitly detailed in the Policy table for transparency.

Policy table

Base salary

Element and purpose / Operation	Maximum opportunity / Assessment of performance / Changes
Element and purpose Base salary reflects the individual's role, experience and contribution to the company and is set at levels that support the recruitment and retention of executive directors of the calibre required by the company. **Operation** In setting base salaries, the Committee also has regard to salaries for similar roles in comparator companies including those in FTSE retailers and companies of a similar size and complexity.	**Maximum opportunity** Salary increases will typically be in line with the wider workforce. The Committee has the flexibility to award higher salary increases in exceptional circumstances. Increases awarded each year will normally be set out in the statement of implementation of the Policy. **Assessment of performance** Individual performance is an important factor considered by the Committee when reviewing base salary each year. **Changes** Removal of the two defined primary comparator groups and replacement of 8% per annum maximum increases with salary increases being typically in line with the wider workforce.

Benefits

Element and purpose / Operation	Maximum opportunity / Assessment of performance / Change
Element and purpose Benefits are provided to assist executive directors in the performance of their roles and are designed to be competitive and cost-effective. **Operation** The company may provide pension benefits (set out in the following section), a company car or cash alternative, medical insurance, and life assurance cover. Other benefits may be provided from time to time if considered reasonable and appropriate by the Committee, such as relocation allowances, and would be explained in the subsequent Annual Report on Remuneration. The company pays the cost of providing benefits on a monthly basis or as required for one-off events such as financial planning advice. Store discounts may be offered to all executive directors on the same basis as offered to other company employees.	**Maximum opportunity** Maximum levels of benefit provision are: – Car allowance of £25,000 per annum. – Private medical insurance on a family basis. – Life assurance cover of four times base salary. – Store discount of up to 20%. The cost of providing insurance benefits varies according to premium rates so there is no formal maximum monetary value. Any relocation allowance will be limited to 50% of base salary (inclusive of any tax payable on expenses reimbursed). **Assessment of performance** None. **Change** None.

Pension

Element and purpose / Operation	Maximum opportunity / Assessment of performance / Changes
Element and purpose To provide retirement benefits, support retirement planning, and provide a competitive fixed pay package. **Operation** Pension provision for executive directors is by way of contributions to a defined contribution scheme or cash allowance.	**Maximum opportunity** Maximum employer contribution into a defined contribution scheme of 14% of base salary or a cash alternative of 12.5% of base salary, in line with arrangements for other UK colleagues. **Assessment of performance** None. **Changes** None.

Policy table continued

Annual Bonus

Element and purpose
To incentivise executive directors to achieve or exceed annual strategic objectives set by the Committee at the start of each financial year.

Operation
Annual Bonuses are earned over the year, based on performance against targets over the financial year.

The Annual Bonus will be delivered as follows:

- Bonus earned up to 100% of salary in cash; and
- Bonus earned above 100% of salary in shares which are deferred for three years and subject to continued employment in line with plan rules.

Dividend equivalents are payable in respect of any deferred shares that vest.

The Committee has the discretion to adjust the bonus outcome in light of overall underlying performance.

Any adjustment made using this discretion will be explained in the following Annual Report on Remuneration.

Malus and clawback apply under circumstances as set out in the notes to the Policy table.

Change of control provisions apply as set out in the notes to the Policy Table.

Maximum opportunity
The maximum Annual Bonus award is 200% of salary for the CEO and 190% of salary for the CFO (and any other executive directors).

The level of payment at threshold is set on an annual basis but will not exceed 25% of maximum.

Assessment of performance
The Annual Bonus measures may be based on a mixture of financial, operational, strategic and individual performance measures dependent on the Company's goals and strategic priorities over the year under review.

At least 70% of the bonus will be dependent on financial measures.

Changes

- Maximum bonus opportunity of up to 200% of salary compared to 80% under the previous Policy.
- Any bonus earned over 100% of salary is deferred into shares for three years. Under the previous Policy, the whole bonus was paid in cash.
- At least 70% of the bonus will be dependent on financial measures. There was no minimum portion of the bonus that must be based on financial measures under the previous Policy.

Performance Share Plan

Element and purpose
To incentivise executive directors to deliver on Kingfisher's long-term strategic aims and create sustainable shareholder value, aligning the interests of participants with those of shareholders.

To retain executive directors and provide market competitive total reward.

Operation
Awards are granted annually, and vest after three years subject to performance achieved against performance targets set over not less than a three-year period. All vested shares will normally be subject to a further two year holding period.

Dividend equivalents are payable in respect of the shares that vest.

The Committee has discretion to adjust the vesting outcome if the formulaic outcome is not felt to produce an appropriate result in light of overall underlying company performance. Any adjustment made using this discretion will be explained in the following Annual Report on Remuneration.

Malus and clawback apply under circumstances as set out in the notes to the Policy Table.

Change of control provisions apply as set out in the notes to the Policy Table.

Maximum opportunity
The maximum annual award that can be granted each year under the PSP is 275% of salary for the CEO and 260% of salary for the CFO (and any other executive directors) respectively.

For threshold performance on any measure, at most 25% of the maximum award available for that measure may vest.

Assessment of performance
Awards granted will vest based on performance over not less than three years against performance measures determined by the Committee and aligned to the company's strategic priorities. At least 50% of the measures will be based on financial measures.

The performance measures selected for the 2022 grant are:

1. 25% Earnings per Share (EPS)
2. 25% Return on Capital Employed (ROCE)
3. 25% Relative Total Shareholder Return (TSR)
4. 25% on a basket of Environmental, Social and Governance (ESG) measures

Any substantial or significant changes to the measures will be subject to shareholder consultation.

The performance outcomes will be assessed at the end of the three-year period to ensure they are appropriate within the context of the wider business performance.

The performance measures have been chosen to balance growth and returns and ensure sustainable delivery of performance.

Changes

- New section as it replaces Alignment Shares and Delivering Value Incentives sections in the previous Policy Table.

Policy table continued

Chair and non-executive director fees

Element and purpose
To attract and retain a Chair and non-executive directors of the highest calibre.

Operation
The fees paid to the Chair 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 Chair's fees annually.

The Chair's fees are determined with reference to time commitment and relevant benchmark market data. Contributions are made towards the cost of running the Chair's office.

The Board determines non-executive directors' fees under a policy that 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, the Chairs and members of each of the Audit, Remuneration and Responsible Business Committees.

Chair and membership fees may be introduced for current and new committees.

Appropriate benefits, including the reimbursement of appropriate expenses, may be provided from time to time, as required.

The Board may annually review fees paid to non-executive directors against those in similar companies and take into account the time commitment expected of them.

Fees are paid monthly, wholly in cash.

The Chair and the non-executive directors do not participate in any of the company's performance-related pay programmes and do not receive pension benefits.

Maximum opportunity
Aggregate annual fees paid to the Chair and non-executive directors are limited by the company's Articles of Association, which may be varied by special resolution of the shareholders.

The current limit contained within the Articles of Association is £1.75 million as approved at the 2014 AGM. Contributions towards the cost of running the Chair's office will not exceed £60,000 per annum and are included within the aggregate fees set out above.

Assessment of performance
None.

Changes
There is no change to the Policy. However from 2021, a Chair fee was introduced for the Responsible Business Committee. From 2022, a membership fee for the Audit, Remuneration and Responsible Business Committees was introduced.

All-employee share plans

Element and purpose
Executive directors may participate in Kingfisher's all-employee share plans on similar terms to other employees.

Operation
In particular, UK-based executive directors may participate in the Sharesave Plan (Sharesave), a tax-approved all-employee scheme under which they make monthly savings over a period of three or five years, which 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 savings 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 employees to make monthly investments in Kingfisher shares.

Maximum opportunity
The maximum limit for the Sharesave is currently £500 per month. The maximum amount an individual may invest in partnership shares under the SIP is currently £150 per month. The SIP also allows the award of free and matching shares up to the limits set by the UK Government.
The company 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.

Assessment of performance
None.

Changes
None

Shareholding requirements

To ensure the alignment of the interests of executives and shareholders over the long term, executive directors are required to build a significant shareholding. The shareholding requirement is 350% of salary for the CEO (remains unchanged from the previous Policy) and 270% for the CFO, and any other executive director (an increase from 250% of salary from the previous Policy).

All shares owned beneficially and nil-cost awards that have vested but that the executive has yet to exercise are considered to count towards the shareholding on a notional post-tax basis.

Until the shareholding requirement is met, executive directors are required to retain 100% of vested post-tax PSP, Deferred Bonus and Alignment Share awards and retain 50% of vested post-tax DVI shares. It is expected that executives would retain 100% of post-tax shares from the DVI awards until the requirement is met.

In line with the previous Policy, the full shareholding requirement will apply for two years post-employment. The Committee has established mechanisms to enforce the post-employment shareholding guidelines once an executive director has left the company.

Notes to the Policy Table

Selection of performance measures
The measures for the Annual Bonus and the Performance Share Plan will be chosen each year for their alignment to the company's goals and strategic priorities and may vary according to the priorities over the relevant performance periods.

The measures for the 2022/23 Annual Bonus are adjusted pre-tax profit, LFL Sales Growth and individual strategic measures. Adjusted pre-tax profit and LFL Sales Growth ensure that executives are focused on delivering both growth and profitability for our shareholders while individual metrics ensure that executives are focused on specific key strategic priorities. The individual measures may vary between performance years depending on strategic priorities for that year. For 2022/23, OEB Sales Growth and Digital Sales Growth were chosen for both executive directors as they are fundamental to the company strategy over 2022/23.

For the 2022 PSP, the measures chosen are EPS, ROCE, Relative TSR and ESG. EPS was chosen to ensure sustainable, long-term delivery of profit for our shareholders with ROCE ensuring the efficient use of our capital to generate sustainable returns for shareholders. Relative TSR is measured against the constituents of the FTSE 350 Retailers, FTSE 350 Drug and Grocery Stores as well as the STOXX 600 Drug and Grocery Stores. The group ensures that we deliver strong shareholder returns within the context of an appropriate group of peers.

ESG measures provide a direct link to our Responsible Business agenda and recognise our long-term goals and commitments. For the 2022 PSP, the ESG bucket of measures will reflect our commitment to the planet with (1) a measure addressing climate change and (2) a measure on sourcing of our wood and paper products, as well as (3) an inclusion based measure (gender diversity). The proposed measures reflect the importance of Kingfisher's long-term goals in respect of the wider external context (climate change), sustainable wood and paper products (sourcing) and our commitment to improve the representation of our women in senior leadership roles.

The targets are set each year to ensure they are appropriately stretching taking into account short and long internal forecasts and ambitions as well as external forecasts and views. The specific measures, targets and weightings may vary from year to year to align with the company's strategy.

Malus and clawback
Malus and clawback may operate in respect of the Annual Bonus and Deferred Bonus Shares and PSP awards granted under the Kingfisher Performance Share Plan (KPSP) as well as legacy Alignment Shares and DVI awards granted under the Kingfisher Alignment Share and Transformation Incentive Plan (KASTIP). These provisions enable the company to reduce (including, if appropriate, to nil) the payout and vesting levels or to recover the relevant value following the cash bonus payout or vesting of shares. These provisions will apply to the cash bonus for a period of three years following payment, to the Deferred Bonus Awards during the three-year deferral period and for a period of two years following vesting of the PSP, legacy Alignment Share and DVI grants. These provisions could take effect in the event of financial misstatement, miscalculation due to an error, serious reputational damage, or material misconduct in individual cases.

Change of control
In the event of a change of control, share awards will normally vest subject to performance conditions. PSP awards, legacy Alignment Shares and DVI awards will normally be reduced on a time pro-rated basis in line with the treatment for good leavers, which is set out in the 'Policy on payment for loss of office' section of this Directors' Remuneration Policy. Deferred Bonus share awards will normally vest on change of control. The Committee retains discretion to replace awards with an equivalent share award in the acquiring company.

The Committee may alternatively consider that such a reduction is inappropriate, e.g. if it is agreed with an acquirer to roll over outstanding awards. Other awards may be reduced at the Committee's discretion.

Discretions
The Committee retains certain discretions in relation to the Annual Bonus Plan, which are set out in full in the plan rules, and which include but are not limited to:

- The determination, and timing, of any bonus payment.
- The impact of a change of control or restructuring.
- Overriding formulaic outcomes in line with the provisions of the UK Corporate Governance Code.
- Adjustments for accounting or equivalent changes for the Annual Bonus.
- Any adjustments required as a result of a corporate event (such as a transaction, corporate restructuring event, special dividend, share buyback or rights issue).

Discretions set out as part of this Remuneration Policy provide the Committee with discretion in certain matters regarding the administration and operation of Deferred Bonus and PSP awards as well as legacy Alignment Shares and DVI awards (as set out in the corresponding plan rules due to be approved or already approved by shareholders), including, but not limited to the following:

- The assessment of good leaver status.
- Overriding formulaic outcomes in line with the provisions of the Code.
- Adjustments for accounting or equivalent changes for the KPSP and the KASTIP.
- Minor administrative matters to improve the efficiency of the operation of the plans or to comply with local tax law or regulation.
- Any adjustments to performance conditions or awards required as a result of a corporate event (such as a transaction, corporate restructuring event, special dividend, share buyback or rights issue).

In relation to the Annual Bonus Plan, PSP awards, legacy Alignment Shares and DVI awards, and in line with the plan rules, 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) occur that 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 satisfy than the original performance condition would have been but for the event in question.

Should the Committee use any of the discretions set out above, these would, where relevant, be disclosed in the following Annual Report on Remuneration. The views of major shareholders may also be sought. Discretion in relation to the company's All-Employee Share Plans (Sharesave and SIP) would be exercised within the parameters of the HMRC-approved plan status and the FCA's Listing Rules.

Legacy awards
In-flight awards made before the adoption of this Policy will continue in line with the approved Policy under which they were granted. Further details of these awards can be found within the Remuneration Policy approved at the 9 July 2019 AGM and included within the 2018/19, 2019/20 and 2020/21 Annual Report and Accounts.

Differences in Remuneration Policy for all employees
The remuneration structure for members of the Group Executive follows a similar approach as for the executive directors but with a lower maximum opportunity as appropriate under the Annual Bonus and PSP. The performance measures attached to the Annual Bonus are a combination of Group financial and strategic measures, banner specific financial and strategic measures and/or functional measures, depending on the Group Executive member's role and responsibilities. Like the executive directors, a proportion of their bonus earned over a threshold is paid into deferred shares. PSP awards for the Group Executive have the same performance conditions as the executive directors.

For the next two levels of management below the Group Executive, the remuneration structure consists of base salary, benefits, pension, Annual Bonus and PSP awards. Performance measures attached to the Annual Bonus are tailored to reflect the position of the individual and the part of the business in which they operate and as such are a combination of Group financial and strategic measures, banner specific financial and strategic measures and/or functional measures. Vesting of the PSP awards for these colleagues will be primarily based on the same measures as the executive directors and Group Executive, however there is also an element based on time in employment only for these colleagues.

All other 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 are determined by the seniority and responsibility of the role.

Statement of consideration of employment conditions elsewhere in the company
The Chief People Officer (CPO) is invited to present to the Committee the proposals for salary increases for the employee population generally and on any other remuneration changes. The CPO consults with the Committee on the performance conditions for the executive directors' bonuses and the extent to which these should be cascaded to other employees. The Committee has oversight of all long-term incentive awards across the Group.

The Committee is provided with data on the remuneration structure for all individuals in Kingfisher's leadership team, which includes retail banner CEOs and Group function directors. The Committee approves the policy on share award levels for all employees and uses this information to ensure that there is consistency of approach across Kingfisher.

The Group did not consult with employees when drafting the Directors' Remuneration Policy. However as part of the Kingfisher Colleague Forum, colleagues were advised on the current remuneration arrangements of the executive directors and how these align with the arrangements offered elsewhere in the organisation.

Statement of consideration of shareholder views
When determining the Remuneration Policy, the Committee consulted with the company's largest shareholders in respect of changes to the proposals and also reviewed best practice guidelines issued by institutional investor bodies. The Committee took on board the feedback received when finalising the proposals.

The Committee continues to always be open to feedback from shareholders on our Remuneration Policy and remuneration arrangements and commits to ensuring consultation with our largest shareholders in advance of any significant changes to the Remuneration Policy or structure. The Committee continues to monitor trends and developments in corporate governance and market practice to ensure the structure of executive remuneration remains appropriate.

Section 40 disclosures
When considering the proposed Policy and its implementation for 2022, the Committee took into account Provision 40 of the UK Corporate Governance Code and considers the framework meets the factors under the provisions as follows:

- Clarity: The Committee has provided transparent disclosures regarding the Remuneration Policy and structure. Changes have been explained in the context of alignment to the new strategy and market practice. The Remuneration Committee Chair has engaged with our shareholders on the Remuneration Policy. The Company will explain the new remuneration structure with the relevant broader population through a variety of methods including group and one-on-one meetings and guides.
- Simplicity: The Committee has improved the simplicity of the incentive arrangements with fewer measures with more meaningful weightings on the Annual Bonus. There is now only one share award plan applicable for executive directors (and other employees), the PSP, which is market aligned in structure and granted annually.
- Risk: The Committee believes that the incentive structures under the Remuneration Policy do not encourage inappropriate risk taking. The targets set for the Annual Bonus and PSP are stretching and set in line with strategic priorities and sustainable value creation. All incentive arrangements have malus and clawback provisions including in the event of serious reputational damage and for material misconduct. The Committee can also override formulaic outcomes if it concludes that incentive outcomes are not representative of underlying performance.
- Predictability: The Annual Bonus and PSP have maximum levels of opportunity with vesting/payment outcomes dependent on achievement of performance measures. The range of vesting/payment outcomes is set out in the scenario charts on page 88 which also demonstrate the impact of a 50% share price increase from date of grant to vesting.
- Proportionality: Performance conditions attached to the Annual Bonus and PSP are directly and clearly linked to the achievement of Kingfisher's strategic priorities both in the short and longer term. The level of stretch in the performance conditions have been and continue to be set to compensate participants accordingly. Bonus deferral, PSP holding periods and shareholding requirements (including post-exit) ensure significant alignment to long term value creation.
- Alignment to culture: As discussed above, there is a strong alignment of the incentive arrangements under the Remuneration Policy with Kingfisher's strategic priorities.

Approach for recruitment remuneration

Area	Policy and operation
Overall	When hiring a new executive director, or making internal promotions to the Board, the Committee will apply the Remuneration Policy. The rationale for the package offered will be explained in the following Annual Report on Remuneration. For internal promotions, any commitments made prior to appointment may continue to be honoured as the executive is transitioned to the new remuneration arrangements. Where an individual is promoted after the annual PSP award has been granted, an award may be made to bring the executive on to the in-flight cycle at an opportunity level reflecting their new role, subject to the limits set out in the Policy. Awards may be pro-rated to reflect the remaining portion of the vesting period. Any award will take into consideration awards granted prior to promotion. The Policy below is consistent with the principles of the previous Recruitment Policy, which have been adapted in line with the new remuneration structure.
Base salary	Base salary would be set at an appropriate level to recruit the best candidate based on their skills, experience and current remuneration.
Benefits	Benefits provision would be in line with the normal Policy. Where appropriate, the executive may also receive relocation benefits or other benefits reflective of normal market practice in the territory in which the executive director is employed.
Pension	Pension provision would be in line with the normal Policy.
Incentive awards	Incentive awards would be made under the Annual Bonus and PSP in line with the normal Policy, which determines the maximum incentive awards that can be made. Where an individual joins after the annual PSP has been granted, an award may be made to bring the executive on to the in-flight cycle subject to the limits set out in the Policy. Awards may be pro-rated to reflect the remaining portion of the vesting period.
Buyout awards	In addition to normal incentive awards, buyout awards may be made to reflect value forfeited through an individual leaving their previous employer. If a buyout award is required, the Committee would aim to reflect the nature, timing and value of awards forgone in any replacement awards. Awards may be made in cash, as PSP awards, shares with vesting based on time only or by any other method deemed appropriate by the Committee. Where possible, share awards will be replaced with share awards. Where performance conditions applied to the forfeited awards, performance conditions will be applied to the replacement award or the award size will be discounted accordingly. In establishing the appropriate value of any buyout, the Committee would also take into account the value of the other elements of the new remuneration package. The Committee would aim to minimise the cost to the company; however, buyout awards are not subject to a formal maximum. Any awards would be broadly no more valuable than those being replaced.

Policy for payment for loss of office

Area	Policy
Notice period	12 months' notice by either the director or the company.
Non-compete	During employment and for 12 months after cessation of active employment.
Executive directors' contractual termination payment	**Resignation** No payments on departure will be made on termination, even if by mutual agreement the notice period is cut short. **Departure not in the case of resignation** For the period of notice served, the executive director may continue to receive their monthly base salary, benefits and pension. During this time, at the discretion of the company, they may continue their duties or be assigned garden leave. For the period of notice not served, the executive director may receive a payment in lieu of notice. No other payments should be due on departure. **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 a director's 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.
Treatment of incentives for bad leavers	Any outstanding awards under any incentive plans will lapse in the event of the Committee determining the departing individual to be a bad leaver as defined by the Plan Rules.
Leaver provisions for Annual Bonus for good leavers	Bonus payments may be receivable at the normal date, pro-rated for time, and taking into account performance achieved. Bonus deferral still applies. Deferred Bonus awards vest on the normal date in full. Where the participant ceases to be employed as a result of death, the Deferred Bonus award will vest in full shortly after the company is notified. The Committee retains the ultimate discretion to make bonus payments and determine the basis upon which they are made (including if bonus deferral still applies) and their vehicle and value, taking into account the individual circumstances of the departure. The Committee may, in its discretion, accelerate vesting of the Deferred Bonus award up to the point of departure.
Performance Share Plan for good leavers	Awards will vest on the normal date, pro-rated for time, and will take into account performance achieved. The Committee retains discretion to further reduce the awards granted to reflect any personal performance issues or accelerate vesting. Where the participant ceases to be employed as a result of death, the award will vest shortly after the company is notified, pro-rated for time, and taking into account the Committee's assessment of performance achieved to that date. The Committee may decide, acting fairly and reasonably, that any adjustment set out above to reduce the vesting of the award would be inappropriate.
Shareholding requirements	Upon leaving the company, the shareholding requirement will continue to apply for two years. The shareholding requirement will be 100% of the shareholding requirement for two years after departure. Shareholding requirements will no longer apply in the case of death. At its discretion, the Committee may apply the same treatment in cases of ill health.
Chair and non-executive directors' contractual termination payment	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 take 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. The company has no obligation to pay compensation when the appointment terminates.

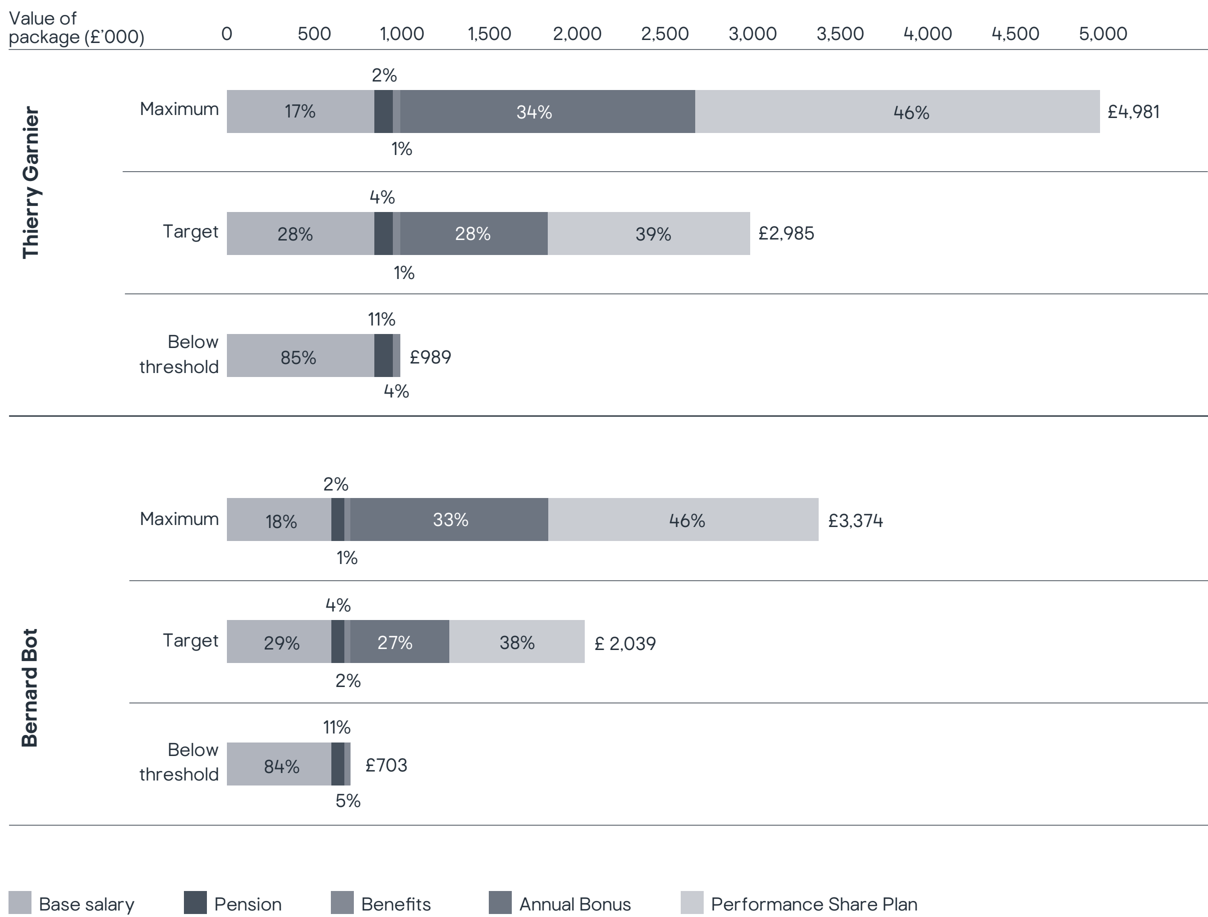
Leavers will be treated for all-employee share plans in line with the plan rules of the relevant share plan. Good leaver is defined under the plan rules, and relates to individuals who leave as a result of:

- Ill health, injury or disability;
- Death;
- Redundancy;
- Transfer of employer or employing business out of Group;
- Retirement; or
- Any other reason that the Committee decides.

A bad leaver is any leaver not defined as a good leaver.

Directors' remuneration report continued

Illustration of the application of the Remuneration Policy
The tables and charts below provide estimates of the potential total future remuneration for each executive director based on the remuneration opportunity expected to be granted in 2022/23. Potential outcomes for each executive director, based on three different performance scenarios, are shown.



Notes:

Base salary: reflects the salary effective from 1 April 2022.

Benefits: estimate based upon benefits received during 2021/22 as recorded in the single total figure of remuneration table (excluding the relocation allowance for Thierry Garnier).

Pension: shown as a percentage of salary in line with Policy.

Fixed remuneration: comprises base salary, benefits and pension.

Short-term variable compensation comprises the Annual Bonus including the deferred element. Long-term variable compensation comprises the PSP.

The Committee has also calculated the implied maximum remuneration scenario with the overlay of 50% share price increase on any vested PSP awards. This would equate to a value of £6,137k for Thierry Garnier's package and £4,146k for Bernard Bot's package.

Below threshold	On-target	Maximum
Only the fixed pay elements (base salary, benefits and pension) of the package are received. Minimum performance targets for the Annual Bonus and PSP are not achieved, therefore no payments are made, and awards will lapse.	Fixed pay elements plus target Annual Bonus are received and target PSP vest. Annual Bonus on-target performance is achieved, 50% of the bonus paying out (100% of salary for CEO, 95% of salary for CFO). PSP vesting at 50% of maximum (137.5% of salary for CEO, 130% of salary for CFO).	Fixed pay elements plus maximum Annual Bonus are received and full vesting under the PSP. Annual Bonus maximum performance achieved, resulting in a bonus of 200% and 190% of salary for the CEO and CFO respectively. Full vesting under the PSP (275% of salary for CEO, 260% of salary for CFO).

Annual Report on Remuneration

This section of the report outlines how the Committee implemented the Directors' Remuneration Policy (the Policy) in the financial year ended 31 January 2022. This report, together with the Annual Statement from the Chair of the Remuneration Committee and the new Remuneration Policy, will be put to shareholders for approval separately at the AGM to be held on 22 June 2022. Shareholder approval in respect of the Annual Report on Remuneration is on an advisory basis only.

These reports have been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and include the items required to be disclosed under 9.8.6R and 9.8.8R of the Financial Conduct Authority's Listing Rules. Where information disclosed has been subject to audit by the Group's auditor, Deloitte LLP, this is highlighted.

The Remuneration Committee

The Committee has delegated authority from the Board over the company's remuneration framework and Policy. The role of the Committee is set out in the terms of reference, which are reviewed and updated annually and are available on the website.

The 2021/22 effectiveness evaluation concluded that the Committee continues to operate effectively and raised no areas of immediate concern. Further detail on the evaluation process can be found on page 61.

Committee composition
The Committee comprised the following members during the year:

	Date appointed to the Committee	Eligible	Attended
Claudia Arney*	1 November 18	7	7
Catherine Bradley	2 November 20	7	7
Jeff Carr	29 January 19	7	7
Andrew Cosslett	13 June 17	7	7
Rakhi Goss-Custard	13 March 18	7	7

* Chair.

Non-executive directors, who are not members, may also attend Committee meetings. The CEO, Chief People Officer, Group Reward Director, Executive Reward Manager and the Committee's remuneration advisors were regular attendees at Committee meetings held during the year. No individual was present when his or her own remuneration or benefits were discussed.

Activities during the year

The significant matters considered by the Committee during the year are set out below:

Areas of Committee focus	Items discussed
Directors' Remuneration Policy	Developed and approved the structure of the proposed Directors' Remuneration Policy for approval by shareholders at the 2022 AGM. Considered and approved the proposed targets of the 2022 PSP. Consulted with shareholders on both of the above matters and considered the feedback received in the development of the Directors' Remuneration Policy.
Salary review and remuneration decisions	The Committee reviewed and approved the salary proposals in respect of the executive directors, Group Executive and Company Secretary, effective from April 2022.
Annual Bonus	Judged performance against the 2020/21 strategic measures and agreed the 2020/21 Annual Bonus outturn for the members of the Group Executive and executive directors. Determined measures for the 2021/22 Annual Bonus. Assessed performance against the 2021/22 Annual Bonus measures and reviewed the year-end forecast.
Alignment Shares	Approved the underpins to be used for the 2021 Alignment Share awards and the subsequent grant of awards. Reviewed the performance of the 2018 Alignment Share awards and determined that the awards would vest at 50% of maximum. Assessed performance to date of the 2019 Alignment Shares, which will vest in 2022.
Delivering Value Incentive	Considered and approved the targets for the second tranche of the 2019 DVI following consultation with shareholders. Monitored performance of the 2019 DVI award.
Transformation Incentive Award	Assessed performance of the 2016 Transformation Incentive Award and approved the vesting outcome for July 2021.
Impact of IFRS on targets for Long Term Incentive Plans	Considered the impact of IFRS on the targets for the DVI, Transformation Incentive and Alignment Share awards. Agreed that no adjustments were required but would continue to model against what the outturn would have been under IAS 17.
Governance and other areas of focus	Received updates from Group Reward on the Group's remuneration practices to provide a fair and appropriate pay structure for all colleagues and reviewed the variable pay structure for the Group Executive and senior management colleagues. Considered the impact of the Group's share buyback programme on the various incentive arrangements in place across the Group. Considered and approved the company's guidelines on share ownership. Monitored developments in corporate governance and market practice in respect of executive remuneration. Reviewed the output of the annual evaluation of the Committee. Reviewed and approved the 2020/21 Directors' Remuneration Report.

Advisors to the Committee

During the financial year ended 31 January 2022, PricewaterhouseCoopers LLP (PwC) provided services to the Committee. The advice received from PwC by the Committee was considered, and it was determined that PwC provides objective and independent advice to the Committee. The Committee is satisfied that the PwC engagement partner and team, who provide remuneration advice to the Committee, do not have connections with the Group that may impair their objectivity and independence.

PwC was appointed by the Committee as its principal advisor on 1 February 2013 following a robust tender process. PwC is a member of, and adheres to, the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com). During the year, PwC provided the Committee with executive remuneration advice. PwC also provided Kingfisher with reward advice for below-Board staff, tax advice, accounting advice, and legal advice during the year. For services provided to the Remuneration Committee, the fees paid to PwC were £196,500. These fees were incurred through a retainer, and on a time and expenses basis.

Voting at the Annual General Meeting (AGM)

The following table shows the results of the advisory vote on the Annual Report on Remuneration at the 2021 AGM and the binding vote on the Remuneration Policy at the 2019 AGM.

Resolution	Votes for (and % of votes cast)	Votes against (and % of votes cast)	Proportion of shares voted	Shares on which votes were withheld
Annual Report on Remuneration (2021 AGM)	1,577,736,596 (92.74%)	123,473,483 (7.26%)	80.74%	1,734,444
Directors' Remuneration Policy (2019 AGM)	1,667,154,482 (96.76%)	55,848,890 (3.24%)	81.65%	3,102,345

Single total figure of remuneration for the executive directors (audited information)

The table below sets out the remuneration of each of the executive directors for the financial year ended 31 January 2022 and the comparative figures for the financial year ended 31 January 2021. The Committee did not exercise any discretion in determining the incentive outcomes for the year being reported on.

Name		1. Base salary £'000	2. Taxable benefits £'000	3. Annual Bonus £'000	4. Alignment Shares £'000	5. Pension £'000	6. Total Fixed pay £'000	7. Total Variable Pay £'000	8. Total Pay £'000
Executive director									
Thierry Garnier	**2021/22**	**813.3**	**43.3**	**634.4**	**1,022.5[1]**	**101.7**	**958.3**	**1,656.9**	**2,615.2**
	2020/21[2]	746.7	305.5	510.7	n/a	93.3	1,145.5	510.7	1,656.2
Bernard Bot	**2021/22**	**574.4**	**35.3**	**448.0**	**369.7[1]**	**71.8**	**681.6**	**817.8**	**1,499.3**
	2020/21[2]	527.3	35.7	360.7	n/a	65.9	628.9	360.7	989.6
Total	**2021/22**	**1,387.8**	**78.7**	**1,082.4**	**1,392.2[1]**	**173.5**	**1,639.9**	**2,474.6**	**4,114,5**
	2020/21[2]	1,274.0	341.1	871.4	n/a	159.3	1,774.4	871.4	2,645.8

1. 100% of the 2019 Alignment Share award granted to Thierry Garnier and Bernard Bot will vest on 30 July 2022. These awards in the table above have been valued based on the average share price during the three-month period to 31 January 2022 of 334.8p. Values included dividend equivalents accrued since the date of grant. The difference between the share price at the date of grant of the 2019 Alignment Shares (of 215.4p) and the three-month share price average is 119.4p which means that £364.7k and £131.9k of 2019 Alignment Shares values detailed in the table above have been delivered through share price growth performance for Thierry Garnier and Bernard Bot respectively. No discretion has been exercised as a result of the share price appreciation.
2. Includes temporary 20% reduction on base salary during 1 April 2020 – 31 July 2020. This amounts to a reduction of £53,333 and £37,667 for the CEO and CFO respectively. This also resulted in a pension reduction of £6,667 and £4,708 respectively.

Notes to the single total figure of remuneration table

1. Base salary

A 2% salary increase was awarded to the executive directors for the 2021/22 financial year which was in line with the increase awarded to the wider UK workforce.

Name	**As at 1 April 2021 £'000**	As at 1 April 2020 £'000	% increase
Executive director			
Thierry Garnier	**816.0**	800.0	2%
Bernard Bot	**576.3**	565.0	2%

2. Taxable benefits (audited information)

The benefits provided to executive directors for both 2021/22 and 2020/21 included car benefit (or cash allowance), private medical insurance, death-in-service cover, life assurance, tax advice and where applicable, relocation support.

Name	Car benefit[1] £'000	Medical £'000	Relocation support[2] £'000	Tax advice[3] £'000	Life assurance £'000	**Total 2021/22 £'000**	Total 2020/21 £'000
Executive director							
Thierry Garnier	25	9.5	3.7	1.9	3.3	**43.3**	305.5
Bernard Bot	25	8.0	n/a	n/a	2.3	**35.3**	35.7

1. Both directors opt for a cash allowance.
2. As Thierry moved from China to the UK as part of his appointment as CEO, in line with the Remuneration Policy, he was entitled to relocation support of up to 50% of salary The majority of support was provided to him in 2019 and 2020.
3. This benefit relates to ongoing annual tax preparation assistance provided to the CEO. This assistance is provided in recognition of the international nature of the CEO's role and is limited to income tax return preparation required in respect of the CEO's employment income. Note that this figure is inclusive of tax payable on expenses reimbursed.

3. Annual Bonus (audited information)

The purpose of the Annual Bonus is to focus executives on the achievement of measures that are critical to the Kingfisher strategy. The 2021/22 Annual Bonus for the executive directors was based on the following measures:

- 30% Adjusted pre-tax profit
- 30% Like-for-like Sales Growth (LFL Sales Growth)
- 10% Free Cash Flow (FCF)
- 10% 'Own Brand' or OEB Sales Growth
- 10% Digital Sales Growth
- 10% ESG measures: D&I (5%) and Planet (5%)

The following table sets out the targets that were set in respect of each of these measures, the corresponding achievement against those targets during the year ending 31 January 2022, and the resulting payout.

Measure		Targets: Threshold (10% of max)	Target (50% of max)	Stretch (100% of max)	Achievement	Outturn
Adjusted pre-tax profit (30%)		£603.7m	£653.7m	£703.7m	£967m	30%
LFL Sales Growth (30%)		(1.7%)	0.3%	2.3%	9.9%	30%
FCF (10%)		£18.8m	£68.8m	£118.8m	£388m	10%
OEB Growth (10%)		0.8%	2.8%	4.8%	10.9%	10%
Digital Sales Growth (10%)		(17.1%)	(8.1%)	1.5%	5.3%	10%
ESG (10%)	D&I (Improving female gender ratio in senior leadership and management)	37% women in management roles	Threshold + tangible improvement towards the 2025 senior leadership ratio	Target + 26% women in leadership roles	37.9% women in management roles and 25.2% in senior leadership roles	2.5%
	Planet (% of GFR wood and paper responsibly sourced as a % of SKUs purchased by end of FY 21/22)	82.0%	83.0%	84.5%	87.2%	5%
Total Outturn						**97.5%**

At the meeting in March 2022, the Committee considered performance against all measures and targets set at the beginning of the year and concluded that all remain relevant over the performance period. Note for adjusted pre-tax profit and FCF, for bonus purposes, these are calculated on constant currency which is why these values slightly differ from the rest of the Annual Report. For the D&I measure, the Committee noted that while the senior leadership ratio target for women was not achieved, the ratio improved from 23% in 2020/21 to 25.2% and the management target was exceeded. The Committee concluded that the improvement in the leadership ratio was tangible and therefore target performance has been met under this element. The senior leadership population used for target includes those who receive Alignment Shares (the top c.300) while the management population is those below senior leadership with managerial responsibilities (c.12,000). This differs from the population used in the Responsible Business section (see page 23) where management includes the senior leadership population.

This means that the total outturn under the 2021/22 annual bonus for executive directors is 97.5% of maximum. The final payout equates to 78.0% of salary for the CEO and CFO which is £634,400 and £448,045 respectively. In line with the Policy, the bonus is wholly delivered in cash.

In determining whether this level of bonus outturn is appropriate, the Committee has considered a wide range of factors including financial performance, the value delivered to shareholders, the treatment of the wider workforce as well as other stakeholders etc. The Committee concluded that a bonus of 97.5% of maximum for 2021/22 is appropriate given the strong financial performance and the significant value returned to shareholders via the dividend and share buyback programme and that this level of performance will also apply to our bonused colleagues throughout the Group.

4. Alignment Shares (audited information)

At the March 2022 Remuneration Committee meeting, the Committee reviewed performance against the underpins attached to the Alignment Shares awarded in 2019 that are due to vest in 2022. Both the current executive directors and the former CEO, Véronique Laury, have a 2019 Alignment Share award with the former CEO having an award on a pro-rated basis. The ratio of net debt to EBITDA for 2021/22 is less than 2.5 times (0.9 times for 2021/22, excluding the impact of share buybacks, 1.0 times if no adjustment is made) under IFRS 16. The proposed total year dividend for 2021/22 is 12.40p. This is more than 10.82p required for the maintenance of dividend underpin to be met. The dividend cover calculated as the ratio of reported adjusted EPS to full year ordinary dividend per share is also above 1.75 times at 2.84 times. This means that 100% of the current executive directors' awards will vest on 30 July 2022. The Committee believes this outturn is appropriate and is reflective of performance over the performance period. The Committee is comfortable that the vesting outcome would have been the same had the performance been tested under IAS 17. The vested awards are subject to a two-year holding period.

The number and value of the awards vested for the current executive directors are as follows:

Name	Number of shares vested[1]	Number of dividend equivalents[2]	Value of shares vested[3] £'000
Executive director			
Thierry Garnier	**295,521**	9,843	1,022.5
Bernard Bot	**106,860**	3,559	369.7

1. The number of shares shown represents the proportion of the Alignment Share award granted in October 2019, which is expected to vest on 30 July 2022.
2. Based on dividends accrued to date of publication of the report.
3. Calculated using the three-month average share price to 31 January 2022 of 334.8p. £364,702 and £131,876 of these values is attributable to share price appreciation for Thierry Garnier and Bernard Bot respectively.

In line with regulations, the value of the vested award for Véronique Laury will be detailed in the 'Payments to past directors' section in next year's Annual Report.

In line with our Policy, the Committee approved the grant of Alignment Shares at the level of 80% of salary for the CEO and CFO on 22 April 2021. 100% of these awards will vest after three years and are subject to underpins. These awards will not appear in the single figure table until they vest based on performance in the 2023/24 financial year.

5. Pensions (audited information)
Executive directors based in the UK are eligible to join the UK defined contribution pension plan (the DC Scheme). No executive director has a prospective right to a defined benefit pension.

The company operates a policy to limit the combined employer and member pension contributions during a tax year to the annual allowance, with the excess employer contribution being directed into a taxable monthly cash allowance. In addition, employees may opt out of the scheme completely.

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

Name	Notional employer contribution rate into defined contribution pension scheme for which the individual is eligible	Member of the UK DC Scheme?	Cash allowance in lieu of employer contributions into DC Scheme?[1]	Equivalent cash allowance rate as % of salary[2]
Executive director				
Thierry Garnier	14%	No	Yes, in full	12.5%
Bernard Bot	14%	No	Yes, in full	12.5%

Notes:

1. Cash allowances are provided on a cost-neutral basis for the company.
2. The employer's national insurance is payable on the cash alternative, whereas it is not payable on the employer pension contribution into the defined contribution scheme. Accordingly the equivalent cash alternative or allowance is 12.5% of salary. This is aligned to the offering to the wider UK workforce as detailed in Remuneration Policy on page 80.

Pension benefits paid during the year

Name	Employer contributions into DC Scheme £'000	Cash alternative £'000	Total 2021/22 £'000	Total pension benefit as a % of base salary
Executive director				
Thierry Garnier	n/a	101.7	101.7	12.5%
Bernard Bot	n/a	71.8	71.8	12.5%

Payments to past directors (audited information)

As communicated in the 2020/21 Remuneration Report and our section 430(2b) announcement, part of Véronique Laury's 2018 Alignment Share award and 2016 Transformation Incentive Award vested in 2021. The number of shares and the values of these awards on the vesting date are as follows:

Awards	Vesting date	Number of shares vested[1]	Number of dividend equivalents[2]	Value of shares vested[3] £'000
2018 Alignment Shares (based on performance underpins)	23 April 2021	78,673	7,361	313.1
2016 Transformation Incentive Award	19 July 2021	55,293	8,687	228.2

1. 50% of the 2018 Alignment Share grant and 3.5% of 2016 Transformation Incentive grant vested based on achievement of performance underpins and conditions. Véronique Laury's 2016 Transformation Incentive was also pro-rated for time.
2. Based on dividends accrued to vesting date.
3. Values has been calculated using closing share price on the vesting date which is 363.9p for the 2018 Alignment Share award and 356.7p for 2016 Transformation Incentive.

Values of her vested awards under the 2019 Alignment Share award (based on performance underpins, which was also pro-rated in line with the plan rules) will be detailed in this section in next year's Annual Report. However, the expected vesting outcome under this plan is set out in the previous section.

Payments for loss of office (audited information)

There were no payments made to directors for loss of office.

Outside appointments for executive directors

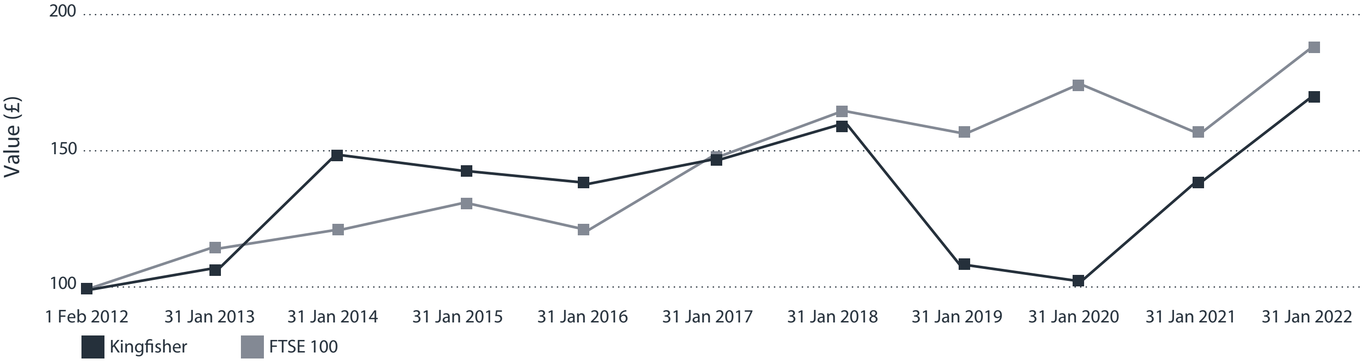
Subject to the rules governing conflicts of interest, Kingfisher is supportive of its executive directors holding one external non-executive position. The exercise of such roles can provide valuable insight for the executive directors, which can be of benefit to Kingfisher. Subject to the Committee's agreement, the individual may retain any fees applicable for these roles.

Thierry Garnier was appointed a non-executive director and a member of the remuneration committee at Tesco plc on 30 April 2021. Thierry receives £95,500 per annum for fulfilling this role. Bernard Bot is a non-executive director and a member of the audit committee at A.P. Møller–Mærsk A/S. Bernard receives 1,250,000 DKK per annum for fulfilling this role.

Both executive directors retain their fees.

Performance graph

The graph below shows Kingfisher's total shareholder return for the 10 years to 31 January 2022, which assumes that £100 was invested in Kingfisher on 1 February 2012. The company chose the FTSE 100 Index as an appropriate comparator for this graph, as Kingfisher has been a constituent of that index for the majority of the period.



CEO's remuneration over the last 10 years

The table below sets out the total remuneration of the holder of the office of CEO for the period from 1 February 2012 to 31 January 2022.

Year	CEO	Bonus % of maximum awarded[1]	Value of bonus awarded £'000	Original Alignment Share grant as a % of salary[2]	Alignment Share % of maximum vesting[2]	Value of shares vested £'000	Original LTIP grant level as a % of salary[3]	LTIP % of maximum vesting	Value of vested shares £'000	CEO's single figure £'000
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	1,799.4	3,455.4
2014/15	Sir Ian Cheshire/Véronique Laury[4]	12.3	202.6	–	–	–	n/a	n/a	n/a	1,306.1
2015/16	Véronique Laury	69.1	967.4	–	–	–	n/a	n/a	n/a	1,983.0
2016/17	Véronique Laury	90.0	537.0	20[5]	100	151.1	200	24.5	100.1	1,715.1
2017/18	Véronique Laury	87.0	534.2	20[5]	100	156.9	200	0.0	0.0	1,582.6
2018/19	Véronique Laury	82.0	522.0	50[6]	62.5	323.8	n/a	n/a	n/a	1,761.3
2019/20	Véronique Laury/Thierry Garnier[7]	0	0	20[6]/n/a[8]	25.0/n/a	136.2/n/a	n/a	n/a	n/a	1,178.7
2020/21	Thierry Garnier	79.8	510.7	n/a[8]	n/a	n/a	n/a	n/a	n/a	1,656.2
2021/22	Thierry Garnier	97.5	634.4	80[9]	100	1,022.5	n/a	n/a	n/a	2,615.2

1. The maximum bonus opportunity was 200% of base salary up to the end of the 2015/16 financial year. The maximum bonus opportunity from 2016/17 onwards was 80% of salary.
2. New element of reward introduced under the Remuneration Policy approved by shareholders at the 2016 AGM.
3. The original LTIP grant shows the award level at the point of grant, three years prior to the date the vesting percentage was determined.
4. Sir Ian Cheshire stepped down as CEO on 8 December 2014, at which point Véronique Laury took over the position. Sir Ian Cheshire's remuneration in the table is from the start of the financial year up until 8 December 2014, and Véronique Laury's is from 8 December 2014 to the end of the financial year. The single total figure in the table above shows the combined total remuneration for both Sir Ian Cheshire and Véronique Laury.
5. This represents 25% of the total Alignment Share award (equivalent to 80% of salary) granted in 2016 and 2017 respectively. This portion vested upon grant. The remaining 75% of this award (equivalent to 60% of salary) may vest three years after the date of grant, subject to performance against the underpin measures set out in the corresponding Remuneration Report.
6. This represents 25% of the total Alignment Share award (equivalent to 80% of salary) granted in 2018 or 2019 (that vested upon grant) and 75% of the total Alignment Share award granted in 2016 (that partially vested in June 2019) and in 2017 (which lapsed in full) for Véronique Laury and which were subject to performance against the underpin measures set out in the corresponding Remuneration Report.
7. Véronique Laury stepped down as CEO on 24 September 2019, at which point Thierry Garnier took over the position. Véronique Laury's remuneration in the table is from the start of the financial year up until 24 September 2019, and Thierry Garnier's is from 25 September 2019 to the end of the financial year. The single total figure in the table above shows the combined total remuneration for both Véronique Laury and Thierry Garnier.
8. 100% of the Alignment Share award granted to Thierry Garnier (equivalent to 80% of salary) in 2019 and 2020 is subject to performance against the underpin measures set out in the corresponding Remuneration Report.
9. The figure for 2021/22 represents 100% of the 2019 Alignment Share Award granted to Thierry Garnier vesting based on performance against the underpins as detailed in this Remuneration Report. 100% of the Alignment Share award granted to Thierry Garnier (equivalent to 80% of salary) in 2021 is subject to performance against the underpin measures set out in the corresponding Remuneration Report.

Change in the remuneration of the directors

The table below shows how the percentage change in each director's (including the non-executive directors') salary, fees, taxable benefits and bonus between 2020/21 and 2021/22 and also 2020/21 compared with 2019/20 compared with the average percentage change of each of those components for all full-time equivalent employees based in Kingfisher plc (as required by regulations). In line with prior years, the percentage change for each director has also been compared to the UK employee workforce (the UK entities, including B&Q and Screwfix). The UK employee workforce is deemed to be a suitable comparator group as the executive directors are based in the UK (albeit with global roles and responsibilities) and pay changes across Kingfisher vary widely depending on local market conditions.

	Base salary/fees[1]		Taxable benefits		Bonus	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Executive directors						
Thierry Garnier[2]	8.9%	-6.7%	-85.8%/-10.9%[3]	112%/15.2%[3]	24.2%	n/a
Bernard Bot[2]	8.9%	-6.7%	-1.0%	1.0%	24.2%	n/a
Non-executive directors						
Andrew Cosslett	10.0%	-9.1%	1.1%	8.6%	n/a	n/a
Claudia Arney	12.8%	17.7%[4]	n/a	n/a	n/a	n/a
Catherine Bradley[5]	47.3%	n/a	n/a	n/a	n/a	n/a
Jeff Carr	12.8%	-10%	n/a	n/a	n/a	n/a
Sophie Gasperment[6]	47.5%	-10%	n/a	n/a	n/a	n/a
Rakhi Goss-Custard	13.3%	-10%	n/a	n/a	n/a	n/a
Former non-executive director						
Tony Buffin[7]	13.3%	n/a	n/a	n/a	n/a	n/a
All Kingfisher plc employees	-2.6%	-13.8%	-31.8%[8]	-33.0%	70.1%	97.66%
All UK employees[9]	7.1%	-0.6%	-6.3%	-19.1%	3.4%	128.8%

1. Percentages reflect cuts in salary and fees made between April 2020 and July 2020 for executive directors and between April 2020 and September 2020 for non-executive directors.
2. Joined on 25 September 2019 and 19 October 2019: percentages between 2020/21 and 2019/20 have been calculated on a full time basis. No bonus was paid for 2019/20 so percentage change between 2020/21 and 2019/20 could not be calculated.
3. First figure includes relocation paid during 2021/22 and 2020/21, the second excludes it.
4. Became Chair of the Remuneration Committee on 21 January 2020. Fee for this role is £20,000 on top of non-executive director fees.
5. Joined on 2 November 2020 and became Senior Independent Director on 29 January 2021. Fee for this role is £20,000 on top of non-executive director fees. Percentages for 2021/22 have been calculated assuming full time basis.
6. Started to receive a fee of £20,000 for Chair of Responsible Business Committee from 1 February 2021.
7. Joined on 1 December 2020 and left on 1 October 2021. Percentage for 2021/22 has been calculated on a full time basis.
8. The % change in the taxable benefits for employee population is related to the impact Covid had on expenses and benefits claimed during the year.
9. Includes all UK employees including those in B&Q and Screwfix.

Relative importance of spend on pay

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

	2021/22 £m	2020/21 £m	Percentage change
Overall expenditure on pay	**2,049**	1,891	8.4%
Share buybacks undertaken during the year[1]	**157**	0	n/a
Total dividends paid in the year	**254**	0	n/a

1. During the year the Group purchased 47m of the company's own shares for cancellation at a cost of £157m as part of its capital returns programme.

Pay ratio analysis

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021/22	Option B (i.e. 25th percentile, median and 75th percentile individual identified from our April 2021 gender pay gap analysis)	140:1	127:1	124:1
2020/21	Option B	95:1	93:1	71:1
2019/20	Option B	71:1	64:1	56:1
2018/19	Option B	106:1	97:1	81:1

We have used Option B in the legislation to leverage the analysis completed as part of our UK gender pay gap reporting exercise. We have determined our 25th, median and 75th percentile individual using data from the respective 5 April snapshots. While gender pay gap legislation and CEO pay ratio legislation employ different calculations, the three identified UK employees receive similar remuneration structures, and therefore we are confident that they also represent broadly the same respective percentiles when calculated using the single figure of total remuneration methodology required in the CEO pay ratio calculation. Where relevant, each colleague's pay and benefits were calculated on a full-time equivalent basis, and no further adjustments were made. The values for total remuneration for the 25th, median and 75th percentile were £18.7k, £20.6k and £21.1k respectively comprising salary and employer contribution to pension. The salaries for these employees were £18.5k, £19.9k and £20.9k respectively.

The majority of the Group's workforce are store based. Given this workforce profile, the pay and benefits data used to calculate the CEO pay ratio are from colleagues who are store based. These colleagues' reward structure comprises primarily fixed components while the CEO's total remuneration is strongly linked to performance with a significant variable component. The year-on-year change can therefore primarily be explained by the vesting of the 2019 Alignment Share award for the CEO (in prior two years, no share award has vested for the CEO) and the higher bonus payout in 2021/22 than in 2020/21 which are both linked to performance. The remuneration structures for our colleagues are aligned to the market and to our remuneration principles. It is, therefore, the Committee's view that the ratios remain consistent with pay and progression policies for UK employees.

Executive directors' shareholdings and share interests (audited information)

Executive directors are required to build a significant shareholding in the company. Unvested awards are not included when assessing holding requirements. Vested awards are included when assessing holdings but are adjusted to take into account the tax liability arising on exercise.

The table below sets out the beneficial interests of the executive directors (or any connected persons) in the ordinary shares of the company and a summary of the outstanding share awards as at 31 January 2022. Calculations are based on a share price of 331.1p per share (being the closing price of a Kingfisher share on 31 January 2022).

	Shares held		Awards over nil-cost options				
Name	Number of shares held outright		Vested but not exercised[1]	Unvested and subject to continued employment	Unvested and subject to performance conditions and continued employment[2]	Shareholding requirement (% of base salary)[3]	Shareholding 31 Jan 22 (% of base salary)[4]
	31 Jan 22	31 Jan 21					
Executive director							
Thierry Garnier[5]	100,000	60,000	–	–	3,834,870	350%	41%
Bernard Bot[5]	80,000	50,000	–	–	2,111,044	250%	46%

1. Nil-cost options and awards that 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 award).
2. These awards include nil-cost options to Thierry Garnier and Bernard Bot in respect of the 2019, 2020 and 2021 Alignment Share awards and the 2019 Delivering Value Incentive award.
3. Shareholding requirement as of 31 January 2022. The shareholding requirement for Bernard Bot will be 270% of salary under the new Policy.
4. Between 1 February 2022 and the date of this report, there were no changes in the beneficial interests of the executive directors' shareholdings.
5. As potential beneficiaries of the Kingfisher Employee Benefit Trust (the Trust), Thierry Garnier and Bernard Bot are deemed to have an interest in the company's ordinary shares held by the Trust. The Trust held 13,932,558 ordinary shares at 31 January 2022.

Share awards made during the financial year (audited information)

Options and awards over shares were made during the year ended 31 January 2022 under the Kingfisher Alignment KASTIP in respect of the 2021 Alignment Share award.

2021 Alignment Share award

Vesting subject to performance conditions

Name	Date of grant[1]	Number of shares	Face value of award[2] £'000	End of performance period[3]	Final exercise date[4]
Thierry Garner	22 April 2021	181,366	654.0	31 Jan 24	22 Mar 31
Bernard Bot	22 April 2021	128,090	461.9	31 Jan 24	22 Mar 31

1. Vesting date of 22 April 2024.
2. The number of shares, at the time of grant, was based on 80% of base salary and the three-day average closing share price preceding the date of grant. The awards were made under the KASTIP and the value above is based on the closing share price as at the date of grant, of 360.60p per share for 22 April 2021.
3. The shares will vest subject to performance against the underpin conditions over the period to the end of the 2023/24 financial year.
4. The awards are structured as nil-cost options and have an exercise period of seven years less one month.

The performance conditions attached to the 2021 Alignment Share award are as follows:

– Maintenance of the 2020/21 dividend subject to dividend cover being above 1.75 times.
– Maintenance of ratio of net debt to EBITDA below 2.5 times.

If one condition is not met, up to 50% of the unvested shares will lapse. If both are not met, up to 100% of the unvested shares will lapse.

2019 Delivering Value Incentive award
As detailed in the 2019/20 Annual Report, the Committee approved the grants made under the DVI in October 2019 to both executive directors. The 2019 DVI award consolidates three years' worth of long-term share awards therefore, in line with Policy, no award was made in 2020/21 or in 2021/22. Subject to the approval of the new Remuneration Policy, no other awards will be made under this plan.

The 2019 DVI award is dependent on EPS, ROCE and Relative TSR performance. Performance is measured within a five-year time horizon of the award over two performance periods, each applying to one half of the total award (i) 1 February 2019 to 31 January 2022 and (ii) 1 February 2021 to 31 January 2024, to better align with the phasing of the company's strategy. No vesting can occur under the plan until July 2024. The vesting of the award is also subject to a quality of earnings test prior to the vesting date which the Committee will use to determine if the formulaic outturn is reasonable. The test includes considering the overall execution of the strategy, balance sheet health, the relative performance of growth vs. returns, the level of transformational costs relative to the plan (Capex and P&L costs), and the overall GDP growth level in the economy.

While the Committee will determine the overall vesting outcome of the 2019 DVI at the end of the five-year performance period in 2024, the Committee did, as part of its activities, assess the performance vs. targets for the first performance period which ended on 31 January 2022. This is detailed for transparency in the following tables.

Targets for first performance period

Delivering Incentive Multiple	EPS growth (p.a.) (one-third weighting)	2021/22 ROCE (one-third weighting)	TSR Percentile vs. relative TSR peer group (one-third weighting)
Zero	4.0%	10.5%	n/a
1x Target	5.0%	11.0%	50th
2x Target	8.0%	11.5%	60th
3x Target	11.5%	12.5%	70th
4x Target	15.0%	13.5%	80th

Formulaic outturn (subject to an overall quality of earnings test)

	EPS growth (p.a.) (one-third weighting)	2021/22 ROCE (one-third weighting)	TSR Percentile vs. relative TSR peer group (one-third weighting)
Performance	21.1%	14.5%	55th percentile
Formulaic Outturn (as DVI Multiple, for each element)	4 x target	4 x target	1.55 x target
Total Formulaic Outturn (as DVI Multiple, for first performance period only)			3.18 x target or 79.6% of maximum

The formulaic outturn was determined excluding the impact of share buybacks and also had the same outturn under IAS 17. In 2024, the Committee will assess the formulaic outturn of the second performance period and apply the overall quality of earnings test over the five-year performance period. This test includes (but is not limited to) considering the overall execution of the strategy, balance sheet health, the relative performance of growth vs. returns and the overall GDP growth level in the economy. These, in conjunction with the outturn of the first performance period, will determine the proportion of the DVI award that vests.

Targets for second performance period

The targets for the second performance period were disclosed in a RNS released on 4 May 2021 after shareholder consultation. These targets are as follows:

Delivering Incentive Multiple	EPS growth (p.a.) (one-third weighting)	2023/24 ROCE (one-third weighting)	TSR Percentile vs. relative TSR peer group (one-third weighting)
Zero	4.0%	12.0%	n/a
1x Target	5.0%	12.25%	50th
2x Target	6.0%	12.5%	60th
3x Target	10.0%	13.5%	70th
4x Target	16.0%	15.0%	80th

Throughout the Covid pandemic, the company took swift and effective measures to ensure we continue to serve our customers' essential needs as effectively as possible, to look after our colleagues, to provide support to the communities in which we operate in as well as protect the business for the long term. Measures included temporary store closures in March and April 2020 to protect our colleagues.

In order to limit the impact of temporary store closures and trading restrictions on our financial flexibility and profitability, the Company implemented multiple actions to reduce costs and preserve cash, especially during H1 2020/21, including the benefit from several government support measures (many of which were subsequently repaid). As disclosed in the 2020/21 Annual Report and the May RNS, many of the cost reductions achieved were temporary or one-off in nature. Total reported non-recurring cost savings in FY 20/21, net of one-off Covid related costs, were £85m. As a result of this, the EPS growth measure will be calculated from a re-based 2020/21 adjusted EPS figure of 25.6p to reflect these non-recurring cost savings of £85m (vs. reported adjusted EPS of 28.7p). In line with the approach for the first DVI performance period, ROCE is measured as the ROCE in the final year of the plan and therefore is not impacted by these non-recurring cost savings.

TSR continues to be measured against the same peer group companies used in the first DVI performance period (amended to reflect any M&A activity). The peer group used was the STOXX 600 retailers, as well as Home Depot and Lowe's.

2022 Performance Share Plan
Subject to the approval of the Remuneration Policy and Share Plan Rules at the 2022 AGM, the Committee will grant Thierry Garnier and Bernard Bot a PSP award with a maximum opportunity of 275% and 260% of base salary respectively at the date of grant (which will be after the AGM).

The performance conditions attached to the vesting of the 2022 grant are as follows:

Target	EPS growth (p.a.) (25%)	2024/25 ROCE (25%)	TSR Percentile vs. relative TSR peer group (25%)
Threshold (25% vesting)	36.5p	12.85%	50th
Stretch (100% vesting)	47.5p	16.30%	75th

	ESG (25% weighting)		
Target	Climate Change (reduction in Scope 1 and 2 emissions)	Forest Positive (% of wood and paper responsibly sourced as a % of SKUs purchased)	Gender Diversity (% of women in senior leadership)
Threshold (25% vesting)	31.0%	95.0%	30%
Target (50% vesting)	34.0%	98.0%	33%
Stretch (100% vesting)	37.8%	99.5%	35%

For the EPS, ROCE and Relative TSR measures, there will be straight line vesting between Threshold and Stretch. For the ESG measures, there will be straight-line vesting between Threshold and Target and Target and Stretch.

These measures have been chosen for the PSP as EPS, ROCE and ESG are aligned to the strategy while relative TSR ensures that payouts for participants are aligned to long-term value creation for shareholders.

ESG in particular was chosen to reflect the importance of our Responsible Business agenda and to recognise our long-term goals and commitments. The chosen ESG measures are all core elements of our agenda. These will be weighted equally within the ESG measure.

Targets for these measures are set to drive strong performance and are calibrated such that maximum payouts are only achieved for exceptional performance. The primary reference points for EPS and ROCE when setting targets are the business's internal budgets and shareholder consensus forecasts as relevant. For ESG measures, targets have been set using our public commitments and internal targets (detailed on pages 23 to 29), with 50% vesting if our 2024/25 objectives are met and maximum payout if our FY 25/26 objectives are met a year early. The maximum Climate Change target has been approved by the Science Based Targets Initiative and is consistent with reductions required to keep global warming to 1.5°C, further details can be found on page 23.

EPS will be based on 'pence' rather than percentage growth as we have in prior years. The key reason for this is to simplify the target setting process so that we set targets strongly aligned with our internal Group plan and consensus forecasts.

TSR will be measured against the combined group of the constituents of the FTSE 350 Retailers, FTSE 350 Drug and Grocery Stores as well as the STOXX 600 Drug and Grocery Stores as at 1 February 2022.

Scheme interests exercised during the financial year (audited information)

No awards were exercised by executive directors during the year.

Dilution limits
The terms of the company's share plans set limits on the number of newly issued shares that may be issued to satisfy awards. In accordance with guidance from the Investment Association, these limits restrict overall dilution under all plans to under 10% of the issued share capital over a 10-year period, with a further limitation of 5% in any 10-year period on executive plans.

Only those awards granted under the Kingfisher Sharesave plan are satisfied by newly issued shares.

Any awards that are satisfied by market-purchased shares are excluded from these calculations, including all awards made under the Kingfisher Alignment Share and Transformation Incentive Plan.

No treasury shares were held or utilised in the year ended 31 January 2022.

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 non-executive director during the financial year ended 31 January 2022 and the comparative figures for the year ended 31 January 2021. During the year, no payments were made to non-executive directors for expenses other than those incurred in the ordinary course of their appointments.

Name	Additional responsibilities	Committee membership[1]	Fees 2021/22 £'000	Fees 2020/21[2] £'000	Taxable benefits 2021/22 £'000	Taxable benefits 2020/21 £'000	Total 2021/22 £'000	Total 2020/21 £'000
Andrew Cosslett[3]	Chair, Nomination Committee Chair	R, N	495	450.0	1.2[4]	1.2[4]	496.2	451.2
Claudia Arney[5]	Remuneration Committee Chair	R, N	86.3	76.5	–	–	86.3	76.5
Catherine Bradley[6]	Senior independent director	A, R, N	86.3	16.3	–	–	86.3	16.3
Jeff Carr	Audit Committee Chair	A, N, R	86.3	76.5	–	–	86.3	76.5
Sophie Gasperment	Responsible Business Committee Chair	N, RB	86.3	58.5	–	–	86.3	58.5
Rakhi Goss-Custard		A, R, N, RB	66.3	58.5	–	–	66.3	58.5
Former directors								
Tony Buffin[7]		A, N	44.5	10.8	–	–	44.5	10.8
Total			**951.0**	**747.1**	**1.2**	**1.2**	**952.2**	**748.3**

1. Indicates which directors served on each committee during the year: Audit Committee = A; Nomination Committee = N; Remuneration Committee = R; Responsible Business Committee = RB.
2. Includes 20% reduction in fees between 1 April 2020 and 30 September 2020 in response to the Covid pandemic.
3. For his role as Chair, Andrew Cosslett receives a fee of £450,000 per annum (£405,000 in 2020/21 once the 20% reduction in fees between 1 April 2020 and 30 September 2020 has been accounted for). The fees paid to Andrew Cosslett include a contribution of £45,000 towards the costs of an assistant.
4. These relate to private medical cover for Andrew Cosslett and his family.
5. Claudia Arney became Chair of the Remuneration Committee on 21 January 2020.
6. Catherine Bradley was appointed to the Board on 2 November 2020 and was appointed as Senior Independent Director with effect from 29 January 2021.
7. Tony Buffin stepped down from the Board on 1 October 2021.

Notes to the single total figure of remuneration for the non-executive directors (audited information)

Fees
Fees paid to the Chair and non-executive directors for 2021/22 and 2020/21 are shown below. No benefits are provided except for a store discount card of up to 20%.

	Fees £'000		
	As at 1 February 2021	As at 1 February 2020	% increase
Chair[1]	495.0	495.0	0%
Non-executive director fee[2]	66.3	65.0	2%
Senior Independent Director	20.0	20.0	0%
Audit Committee Chair	20.0	20.0	0%
Remuneration Committee Chair	20.0	20.0	0%
Responsible Business Committee Chair[2]	20.0	n/a	n/a

1. Andrew Cosslett, who was appointed as Chair with effect from 13 June 2017, receives a fee of £450,000 per annum, plus a contribution towards the costs of an assistant of £45,000 per annum and private medical insurance for himself and his family.
2. The Board reviewed the non-executive base fee in 2021 and agreed to increase the fee by 2% as well as introduce a fee for the Responsible Business Committee Chair.

Non-executive directors' shareholdings (audited information)

The table below sets out the current shareholdings of the non-executive directors (including beneficial interests) as at 31 January 2022. 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 2022[1]	Number of shares held outright as at 31 January 2021
Andrew Cosslett	388,556	290,866
Catherine Bradley	10,000	10,000
Claudia Arney	27,460	27,460
Jeff Carr	10,000	10,000
Sophie Gasperment	10,110	10,000
Rakhi Goss-Custard[2]	6,124	6,124
Former directors[3]		
Tony Buffin	10,000	10,000

1. There have been no changes to the beneficial interests of the non-executive directors between 1 February 2022 and 21 March 2022.
2. Rakhi Goss-Custard holds her interest in these shares through her spouse.
3. Shares held at date of stepping down from the Board.

Statement on the implementation of the Remuneration Policy for 2022/23

Implementation of the Remuneration Policy for executive directors for the year ahead (subject to approval of Policy at the 2022 AGM with regards to incentives)

Base salary	A 3% salary increase will be awarded to the executive directors effective from 1 April 2022. The new salaries are £840,500 for the CEO and £593,600 for the CFO. This is in line with the Policy and the wider UK workforce.
Benefits	Will be implemented in line with the Policy.
Pension	12.5% of salary cash allowance in lieu of pension contributions, which is in line with the offering to the wider UK workforce. This is in line with the Policy.
Annual Bonus	Will be awarded in line with the new Policy (subject to approval at 2022 AGM). The 2022/23 Annual Bonus will have a maximum opportunity of 200% of salary for the CEO and 190% of salary for the CFO and will be judged based on the achievement of financial and strategic output measures, as set out below: – 40% LFL Sales Growth – 40% Adjusted pre-tax profit – 20% Strategic measures which for 2022/23 are OEB Sales Growth and Digital Sales Growth both with a 10% weighting A holistic assessment of Group performance will also be taken into consideration. Any bonus earned over 100% of salary will be deferred into shares for three years. In the opinion of the Committee, the detail of the Annual Bonus measures and targets for 2022/23 are commercially sensitive as they closely align with annual business priorities and accordingly are not disclosed. These will be disclosed in the 2022/23 Annual Report and Accounts.
Performance Share Plan	Will be awarded in line with the new Policy (subject to approval at 2022 AGM). The 2022 Performance Share Plan awards will be granted after the 2022 AGM. The CEO will be granted an award of the value 275% of salary at date of grant with the CFO receiving a grant of 260% of salary. The performance conditions attached to the vesting of award are as follows: – 25% EPS – 25% ROCE – 25% Relative TSR – 25% ESG measures (Climate Change, Forest Positive, Gender Diversity) Details of the target ranges for the 2022 PSP are detailed on page 101. Performance will be measured over 3 years, with awards vesting three years after the grant date. Any vested awards will be subject to an additional two-year holding period.

Implementation of the Remuneration Policy for non-executive directors for the year ahead

Fees £'000	As at 1 February 2022	As at 1 February 2021	% increase
Chair[1]	509.9	495.0	3%
Non-executive director fee	66.3	66.3	0%
Senior Independent Director fee	20.0	20.0	0%
Audit Committee Chair	20.0	20.0	0%
Remuneration Committee Chair	20.0	20.0	0%
Responsible Business Committee Chair	20.0	20.0	0%
Audit Committee member	10.0	n/a	n/a
Remuneration Committee member	10.0	n/a	n/a
Responsible Business Committee member	10.0	n/a	n/a

1. Part of the Chair's fee relates to a contribution to the cost of his assistant per annum. He additionally receives private medical insurance for himself and his family.

The Board reviewed the non-executive director fees in 2021/22 and agreed effective 1 February 2022, a fee will be introduced for the membership of each of the Audit Committee, Remuneration Committee, and Responsible Business Committee of £10,000 per annum. This reflects the significant time commitment required from the members of each of these committees and takes into account that the core NED base fee is set very moderately vs. market norms. No other changes to non-executive director fees will be made in 2022/23.

Separately, in respect of the Company Chair's fee, the Committee has agreed to award a 3% increase in 2022 to the total current combined fee of £495,000 (comprising a core £450,000 fee plus a £45,000 contribution towards the costs of an assistant). This increases the total combined fee to £509,850 and reflects that the Chair has not received a fee increase since his appointment in 2017. This increase is in line with the salary increase awarded to the wider UK workforce population.

Service contracts/letters of appointment

	Date of service contract/letter of appointment	Expiry of current term	Length of service at 31 January 2022
Andrew Cosslett	1 April 17	31 March 23	4 years
Claudia Arney	1 November 18	31 October 24	3 years
Bernard Bot	21 October 19	12 months rolling	2 years
Catherine Bradley	2 November 20	1 November 23	1 year
Jeff Carr	1 June 18	31 May 24	3 years
Thierry Garnier	25 September 19	12 months rolling	2 years
Sophie Gasperment	1 December 18	30 November 24	3 years
Rakhi Goss-Custard	1 February 16	31 January 25	6 years

Copies of the executive directors' service contracts and the non-executive directors' letters of appointment are held at the company's registered office address and are available to shareholders for inspection on request. Requests should be sent by email to shareholderenquiries@kingfisher.com.

Claudia Arney
Chair of the Remuneration Committee

21 March 2022

Directors' report

This report sets out the information the company and the Group are required to disclose in the Directors' report in compliance with the Companies Act 2006 (the Act), the Financial Conduct Authority's Listing Rules (Listing Rules), the Disclosure Guidance and Transparency Rules (DTRs), and the UK Corporate Governance Code 2018 (the Code). This report should be read in conjunction with the Strategic report on pages 1 to 54 and the Corporate Governance report on pages 55 to 104. Together, the Strategic report, this Directors' report, and other sections of the Corporate Governance report incorporated by reference, when taken as a whole, form the Management Report as required under Rule 4.1.5R of the DTRs.

The table below sets out the location of applicable disclosures incorporated into the Directors' report, by reference. The majority of the disclosures required under Listing Rule 9.8.4 R are not applicable to the Group. The table below includes the location of the disclosures for those requirements that do apply:

Disclosure	page
Allotment of equity securities (LR9.8.4 R)	107
Annual General Meeting (AGM)	188
Corporate Governance report, including reports from Board committees	55-104
Directors' interests	89-103
Directors' statement of responsibility	108
Diversity and inclusion	21-22
Employee share schemes	166-167 note 31
Equal opportunities	22
Financial instruments and financial risk management	154-158 note 25
Financial review (LR9.8.4 R)	34-41
Future developments	43
Going concern and viability statement	49-50
Governance and risk management for climate change	24-28
Interest capitalised by the Group (LR9.8.4 R)	137 note 6
Important events since the end of the financial year	171 note 39
Key performance indicators	1
People and development	21-22
Risk management and internal control	42-48
Statement on engagement with employees	54, 60, 63
Statement on engagement with external stakeholders	54, 62-67
Streamlined Energy and Carbon Reporting	24-28
Waiver of dividends	106

Articles of Association (Articles)

The Articles of the company may only be amended by special resolution at a meeting of the shareholders. The Articles are available on the company's website.

Branches

The Kingfisher Group, through various subsidiaries, has established branches in a number of countries in which the business operates.

Directors

The Board and their biographical details are set out on pages 55 to 56. Directors are appointed in accordance with the Articles, the Act, and the Code. During the year, the following changes were made to the Board:

Tony Buffin	Non-executive director (Resigned 1 October 2021)

Directors' indemnity arrangements

The directors who served on the Board during the year have been granted a qualifying third-party indemnity, under the Act, which remains in force. The Group also maintains Directors' and Officers' liability insurance in respect of its directors and officers, and the directors of the Group's subsidiary companies. Neither the company's indemnity nor insurance provide cover in the event that an indemnified individual is proved to have acted fraudulently or dishonestly.

Directors' powers

Subject to provisions of the Act, the Articles, and to any directions given by special resolution, the business of the company shall be managed by the Board, which may exercise all the powers of the company.

Borrowing powers

The directors may exercise all the powers of the company to borrow money.

Issue of ordinary shares

The directors were authorised by shareholders at the 2021 AGM to allot shares, as permitted by the company's Articles. During the year, 2,543,705 shares were issued under the terms of the ShareSave Plan at prices between 159.0 and 306.0p per share.

This resolution was in line with guidance issued by the Investment Association and remains in force until the conclusion of the 2022 AGM, or if earlier, until close of business on 30 September 2022. The company will seek to renew this standard authority at the 2022 AGM.

Purchase of own shares

Shareholders further approved a resolution at the 2021 AGM for the company to make purchases of its own shares up to a maximum of 10% of its issued share capital.

In line with Kingfisher's capital allocation policy, the Board was pleased to announce the return of £300m of surplus capital to shareholders via a share buyback programme in September 2021. This decision was reflective of strong cash generation and the Board's confidence in the outlook for the 2021/22 financial year. This form of return of capital was selected to increase shareholder returns and net asset value per share, while supporting an efficient balance sheet.

Following commencement of the buyback programme, the company purchased 46,945,888 ordinary shares of $15^{5/7}$ pence per share at an average price of £3.33 per share, for a total consideration of £157m. This represents 2.3% of the company's issued share capital for the year ended 31 January 2022.

Between 31 January and 18 March 2022, being the latest practicable date for inclusion in this report, 22,265,979 ordinary shares of $15^{5/7}$ pence per share have been purchased, bringing the total shares purchased at 18 March 2022 to 69,211,867, at an average price of £3.25 per share, and for a total consideration of £225m. The total shares purchased to 18 March 2022 represents 3.3% of the company's issued share capital. It is expected that the share buyback programme will be completed by May 2022.

All shares purchased under this authority have been cancelled. This resolution is in line with guidance issued by the Investment Association and remains in force until the conclusion of the 2022 AGM, or if earlier, until close of business on 22 September 2022. The company will seek to renew this standard authority at the 2022 AGM.

Conflicts of interest

The company has robust procedures in place to identify, authorise and manage potential or actual conflicts of interest, and these procedures have operated effectively during the year. Where potential conflicts arise, they are reviewed, and if appropriate, approved by the Board. Processes for managing such conflicts are put in place to ensure no conflicted director is involved in any decision related to his or her conflict. Directors' other key appointments are set out in the directors' biographies on pages 55 and 56.

Dividends

The interim dividend of 3.80 pence per ordinary share was paid on 12 November 2021. The Board is recommending a final dividend of 8.60p per ordinary share, making a total ordinary dividend for the year of 12.40p per ordinary share. Subject to the approval of shareholders at the 2022 AGM, the final dividend will be paid on 27 June 2022 to shareholders on the register at 20 May 2022.

The Kingfisher Employee Benefit Trust, Wealth Nominees Limited (the Trust), waived the following dividends payable by the company in respect of the ordinary shares it held. The Trustee has agreed to waive its rights to all dividends payable on the ordinary shares held in the Trust:

Dividend	Number of shares waived (% of holding)	Total value of dividends waived
Interim and Final 2020/21 (paid July 2021)	4,504,226 100%	£371,598.64
Interim 2021/22 (paid November 2021)	11,976,684 100%	£455,113.99
Total for year to 31 January 2022		**£826,712.63**

Major shareholdings

As at 31 January 2022 and the date of this report, the company had been notified under Rule 5 of the DTRs of the following interests in voting rights in its shares. The information below was calculated at the date on which the relevant disclosures were made in accordance with the DTRs, however, the number of shares held by each may have changed since the company was notified.

	Number of ordinary shares held	% of total voting rights
BlackRock, Inc.[1]	135,395,563	6.42
Mondrian Investment Partners Limited	112,274,595	5.00
Templeton Global Advisors	104,803,951	4.97
Silchester International Investors	102,921,937	5.014
Norges Bank	86,423,754	4.207
Jupiter Fund Management Plc	Below 5%	Below 5%

1. Part of the shares held by BlackRock, Inc. are in the form of American Depositary Receipts (ADRs).

Political donations

The company made no political donations during the year (2020/21: £nil) and does not intend to make any political donations in the future.

As is our policy and practice, the company will continue to seek shareholder approval annually to enable us to make donations or incur expenditure in relation to EU political parties, other political organisations, or independent election candidates. This is on a precautionary basis to avoid any unintentional breach of the relevant provisions set out in the Act.

Research and development

The company undertakes research and development activities in order to develop its digital capability and products. More information is available on pages 6 to 17 of the Strategic report.

Share capital

The share capital of the company comprises ordinary shares of $15^{5/7}$ p per share. All of the company's issued shares are fully paid up and each share carries the right to one vote at general meetings of the company. The authorised and issued share capital of the company, together with movements in the company's issued share capital during the year, are shown in note 29 to the financial statements on page 164. The Articles contain provisions governing the ownership and transfer of shares.

The holders of ordinary shares are entitled to receive the company's Annual Report and Accounts, to attend and ask questions at general meetings, 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 voting rights or to prohibit their transfer following the omission of their holder or any person interested in them to provide the company with information requested by it in accordance with Part 22 of the Act, or (ii) where their holder is precluded from transferring or otherwise dealing with the shares or exercising voting rights by the Listing Rules, the City Code on Takeovers and Mergers, or applicable Government sanctions. No person has any special rights of control over the company's share capital and all issued shares are fully paid.

The company has a Sponsored Level 1 American Depositary Receipt programme in the United States.

Significant agreements – change of control

Save as set out below, there are no agreements that take effect, alter or terminate upon a change of control of the company following a takeover bid and which are significant in terms of their potential impact on the business of Kingfisher as a whole, save for a £550m credit facility dated 28 May 2021 between, amongst others, the company and National Westminster Bank plc (as the facility agent) (the £550m RCF).

The £550m RCF provides that, subject to certain exceptions, in the event of a change of control of the company, a lender will not be obliged to fund a utilisation request and may notify the agent that they wish to cancel their commitment resulting in the commitment of that lender being cancelled and all outstanding loans, together with accrued interest, becoming immediately due and payable to that lender.

There are no agreements in place 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.

Disclosure of information to auditor

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 Act) of which the company's auditor is 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 auditor is aware of that information.

Directors' report approval

The Directors' report was approved by a duly authorised committee of the Board of Directors on 21 March 2022 and signed on its behalf by

Chloe Barry
Company Secretary

21 March 2022

Statement of Directors' Responsibility

Responsibility for preparing the financial statements

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

United Kingdom 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 accounting standards in conformity with the requirements of the Companies Act 2006 (the 'Act') 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) including FRS 101 'Reduced Disclosure Framework'. Under company law, the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- Select suitable accounting policies and then apply them consistently.
- Make judgements and accounting estimates that are reasonable and prudent.
- State whether Financial Reporting Standard 101 'Reduced Disclosure Framework' has been followed, subject to any material departures disclosed and explained in the financial statements.
- 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 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial performance.
- Make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Act. They are responsible for safeguarding the assets of the company and 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 parent 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.
- 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 position, performance, business model and strategy.

Statement of Directors' Responsibility approval

The Statement of Directors' Responsibility was approved by a duly authorised committee of the Board of Directors on 21 March 2022 and signed on its behalf by

Chloe Barry
Company Secretary

21 March 2022

Independent auditor's report to the members of Kingfisher plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Kingfisher plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 39 to the group financial statements and notes 1 to 16 to the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the year are disclosed in note 8 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year are set out below and are consistent with the prior year. – impairment of store based assets: B&Q UK and France (charges and reversals); – taxation matters: transfer pricing; – classification and presentation of adjusting items; and – inventory valuation
Materiality	The materiality that we used for the group financial statements was £47 million, which was determined on the basis of 5% of adjusted profit before tax.
Scoping	We focused our group audit scope on all significant trading entities and the group's head office and support functions. These accounted for 94% of the group's revenue, 85% of the group's profit before tax and 98% of the group's net assets.
Significant changes in our approach	In the prior year we capped materiality at £27 million, which represented 3.4% of profit before tax and adjusting items. This was due to the uncertainty in the current macro-economic climate. However, given the group's sustained improvement in results, we have determined materiality in the current year on a basis that is consistent with FY 2019/20. No other significant changes in approach noted in the current year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- understanding the relevant controls relating to the assessment of the appropriateness of the going concern assumptions;
- analysing the current financing facilities including the nature of the facilities, maturity of the revolving credit facilities and covenants;
- considering the linkage of management's forecasts to business model and medium-term risks in particular the risk of disruption to trading due to lockdown restrictions;
- challenging the appropriateness of the assumptions used in the forecasts in the context of applicable financial reporting framework, whether the changes from prior periods are appropriate and whether the assumptions are consistent with those used in other areas of the group's business activities (including the related risks associated with the wider macro-economic environment and those related to climate change);
- assessing the level of headroom in the forecasts and testing committed facilities for covenant compliance over the going concern period;
- performing sensitivity analysis on management's model including the remote scenario as explained on page 50 of the viability statement;
- evaluating the integrity of the model used to prepare the forecasts, which includes testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management; and
- assessed whether the disclosures in relation to going concern are appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Impairment of store based assets: B&Q UK and France (charges and reversals)

Key audit matter description	As at 31 January 2022, property, plant and equipment totalled £3,078 mllion (31 January 2021: £3,075 million) and property and equipment right-of-use assets totalled £1,885 million (31 January 2021: £1,845 million), as disclosed in notes 15 and 17 to the financial statements. Net store asset impairment reversals totalling £33 million (2020/21: net impairment reversal of £42 million (£66 million are impairment reversal and £24 million are impairment charges)), of which £62 million are impairment reversals and £29 million are impairment charges , are disclosed in note 15 and note 17. These have been recognised as an adjusting item due to revised future store performance projections, reflecting continued strong trading and benefits arising from the group's 'Powered by Kingfisher' strategy as described in note 5. Of this total, a £21 million net impairment reversal (2020/21: £43 million net impairment reversal) relates to B&Q UK and the group's banners in France. At each reporting date an assessment is performed as to whether there are any indicators that property, plant and equipment, including the group's stores, may be impaired or whether there is any indication that an impairment loss recognised in a previous period either no longer exists or a portion of the previously recognised loss should be reversed. Should such indicators exist, the assets' recoverable amounts are subsequently estimated. Impairment of store-based assets is primarily evaluated with reference to the value in use of stores, which is calculated as the net present value of future cash flows. The group also uses vacant possession valuations to approximate fair value less costs to sell when considering the recoverable amount of freehold and certain long leasehold stores. There are several judgements in assessing value in use that are set out below and there is a risk that the net impairment reversal recorded is not supportable based on the inputs used in the model. Cash flow forecasting, impairment modelling and assessing property values are all inherently judgemental. We have determined that there is potential fraud risk associated with the cash flow forecast assumptions used in the impairment model. The key assumptions applied by management in their store impairment reviews are: – determining the cash-generating units (CGUs) that show indicators of impairment. A CGU is determined to be an individual store; – forecast short term cash flows, which include contribution growth, store costs, including staff payroll and general operating costs; – country-specific discount rates and long-term growth rates; – identifying and allocating a proportion of central overheads to stores; and – determining the vacant possession value of freehold properties throughout the group.
How the scope of our audit responded to the key audit matter	Our audit focused on whether store-based asset impairment reversals in B&Q UK and the group's banners in France have been appropriately assessed in accordance with the requirements of IAS 36, *'Impairment of Assets'*. In doing so we carried out the following procedures with respect to those CGUs: – obtained an understanding of the relevant controls in respect of the impairment reviews across the group and key review controls associated with the group's budgeting process and the impairment models; – challenged the completeness of management's assessment of stores with indicators of impairment or impairment reversals with reference to historical and future performance; – assessed the mechanical accuracy of the impairment models; – in addressing the fraud risk associated with these balances we challenged the key inputs into the value in use computation, namely forecast sales growth and margin by reviewing both past performance, our understanding of the Group's strategic initiatives, benchmarking against external information and the rationale for future assumptions. We also challenged the level of past store performance to assess whether assumptions applied were appropriate at the store level; – assessed management's reconciliation of CGU-level cash flows to the board-approved three-year plan in order to test the allocation of those cash flows; – evaluated the discount rate and long-term growth rates applied by management against external economic data with the involvement of internal valuation specialists; – considered the structure of the business to evaluate the identification and allocation of central overheads into store impairment models; – agreed the vacant possession value of freehold property to third party valuation reports and assessed the inputs and valuation methodology applied by involving our internal real estate specialists; and – assessed the appropriateness of the financial statements disclosures made.
Key observations	We are satisfied that the net impairment reversal booked and carrying value of store-based assets within B&Q UK and the French banners are appropriate and that appropriate disclosures have been made in accordance with IFRS requirements.

5.2.	Taxation matters: transfer pricing
Key audit matter description	The group files tax returns in many jurisdictions and is periodically subject to tax audits in the ordinary course of its business, including matters relating to cross-border intra-group services, brand royalties and interest. Applicable tax laws and regulations are subject to differing interpretations and the resolution of a final tax position can take several years. Where it is considered that future tax liabilities are more likely than not to arise, an appropriate provision is recognised in the financial statements and is held as a tax liability on the balance sheet. In addition, the group received a charging notice from HMRC in the prior year in relation to EU state aid for £57 million (and subsequently for £7 million interest) as set out in note 37. The group settled the amount but appealed the notice on the grounds that there was no state aid and subsequently recognised a corresponding debtor of £64 million as they expect the appeal to be successful. The outcome of the case is currently unknown and therefore there is judgement as to the recoverability of the debtor. Our key audit matter focused on the completeness of recording transfer pricing provisions. There is judgement in determining whether provisions should be recorded what the value of the provision should be with reference to the facts and circumstances of the individual case and the recoverability of the EU state aid debtor.
How the scope of our audit responded to the key audit matter	In performing our procedures in relation to transfer pricing provisions, we carried out the following: : – we obtained an understanding of the relevant controls, which includes management's review and challenge of the provisions held for taxation matters; – in conjunction with our tax specialists, we evaluated the tax positions taken by management in the context of local tax law and tested the accuracy and completeness of transfer pricing provisions and debtor in relation to EU state aid; – assessed the valuation of the transfer pricing provisions; – engaged our internal transfer pricing specialists to assist in understanding the approach taken to transfer pricing, the transactions that flow between group entities including any changes in approach during the year; and – in conjunction with tax specialists, reviewed the disclosures in the financial statements in relation to taxation matters.
Key observations	We consider the provisions recorded for transfer pricing to be acceptable in the context of the group's overall potential tax exposures and our materiality. We also consider the debtor recognised with respect to EU state aid to be appropriate. We consider the overall level of disclosure in relation to tax provisioning and the disclosure of contingent liabilities in note 37 to be appropriate.

5.3.	Classification and presentation of adjusting items
Key audit matter description	The presentation and consistency of costs and income presented within adjusting items is a key determinant in assessing the quality of the group's underlying earnings. The group no longer uses the term "exceptional adjusting" and has revised this to "adjusting" in the year. This represents a change in terminology and presentation only, with no impact on adjusted or statutory performance measures. For the year ended 31 January 2022, the group incurred net adjusting gains after tax of £106 million (2020/21: £12 million net adjusting charge) with prior year and other adjusting tax items making up £48 million (2020/21: £18 million) of the total balance as disclosed in note 5. The presentation of certain income and costs as non-GAAP measures under IFRSs is judgemental, with IFRSs only requiring the separate presentation of material items. The adjusting items presented separately include items which by virtue of their size and/or nature, do not reflect the group's ongoing trading performance. Management judgement is required in determining whether an item meets the group's definition of adjusting. We therefore identified this as a possible risk of fraud and a key audit matter as a possible risk of inappropriate manipulation if items, which are not adjusting, are labelled as such in the financial statements.
How the scope of our audit responded to the key audit matter	We carried out the following procedures in assessing the classification and presentation of adjusting items: – we obtained an understanding of the relevant controls in respect of the group's classification of adjusting items, including a review by senior members of the finance team over the appropriateness of these items and whether they are in line with the group's policy; – evaluated the appropriateness of the inclusion of items, both individually and in aggregate, within adjusting items; – we assessed management's application of the policy on adjusting items following the change in terminology and presentation from 'exceptional adjusting' to 'adjusting in the year; – agreed a sample of these items to supporting documentation to validate the appropriateness and accuracy of these items; – assessed all items, either highlighted by management or identified through the course of our audit, which are regarded as one-off but included within underlying earnings to evaluate that these are not material either individually, or in aggregate; – assessed whether the disclosures within the financial statements provided sufficient detail for the reader to understand the nature of these items; and – for all significant adjustments recorded in calculating underlying profits, discussed the appropriateness of these items and disclosure considerations with the Audit Committee.
Key observations	We are satisfied that the amounts classified as adjusting items are valid and consistent in the application of the definitions and classification of adjusting items in line with group policy. The change in terminology is presentational and does not impact the overall adjusted measure for profit. We are satisfied that the related disclosure of these items in the financial statements is appropriate.

5.4.	Inventory valuation
Key audit matter description	As at 31 January 2022, net inventory, after recognising relevant provisions, is £2,749 million (2020/21: £2,488 million) as disclosed in note 19 to the financial statements. Assessing the valuation of inventory requires significant judgement in estimating the eventual selling price of items held, as well as assessing which items may be slow-moving or obsolete. This is impacted in the current year as Covid has placed strain, industrywide, on the international logistics infrastructure impacting cost and availability of shipping containers. We have determined the key audit matter to be specifically in relation to the judgements and methodology applied in determining the level of inventory provisioning required. Given the judgement required in determining this provisioning which relies on forward-looking information, and that the effects of changes in inventory provisioning could have a significant impact on gross profit and margin, we consider this risk to be a fraud risk.
How the scope of our audit responded to the key audit matter	Our audit focused on whether the valuation of year-end inventory was in accordance with IAS 2 'Inventories'. This included challenging the judgements taken regarding the recording of obsolescence and net realisable value of provisions. We obtained assurance over the appropriateness of management's assumptions applied in calculating the value of inventory provisions by performing the following: – obtained an understanding of the relevant controls, which includes a review of the inventory provision recorded at a banner level by members of the finance team and tested these controls in certain locations; – assessed the group's inventory provisioning policy, with specific consideration of its ongoing appropriateness in light of changes in the business, with specific consideration given to the risk profile of inventory and expected clearance activity; – tested the existence and condition of inventory by attending a sample of inventory counts physically and remotely throughout the year across all in scope components; – checked the value of a sample of inventory to test that it is held at the lower of cost and selling price, through comparison to vendor invoices and current sales prices; and – to address the fraud risk we re-calculated provisions recorded to verify that they are in line with group policy and IAS 2. This was done in conjunction with our IT specialists for some components where a manual re-calculation was not possible.
Key observations	The results of our audit work were satisfactory and we concur that the level of inventory provisions is appropriate.

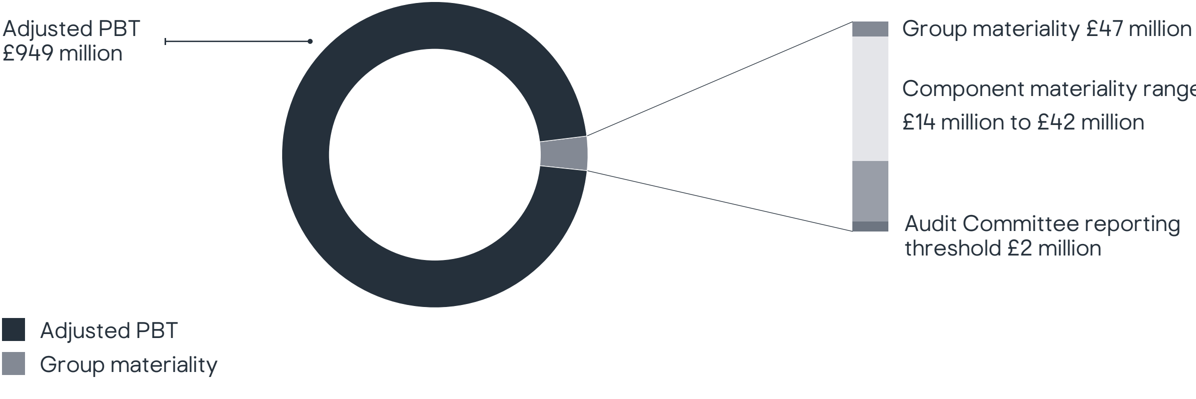
6. Our application of materiality

6.1. 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.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£47 million (2020/21: £27 million)	£42.3 million (2020/21: £25 million)
Basis for determining materiality	5% of adjusted profit before tax. Adjusted items are defined in note 5. In the prior year, materiality was capped at £27 million, which represented 3.4% of adjusted profit before tax.	0.7% of net assets, which is capped at 90% (2020/21: 95%) of group materiality.
Rationale for the benchmark applied	We have determined materiality on a basis that is consistent with FY 2019/20, given the group's sustained improvement in results, which represents a change from the prior year. Adjusted profit before tax was selected as the basis of materiality because this is the primary measure by which stakeholders and market assess the performance of the group. In coming to this judgement we also considered further benchmarks including revenue and net assets as alternative benchmarks. We excluded adjusted items when determining the basis for materiality because the items, primarily relating to impairment reversals of assets, do not form part of the underlying trading performance of the group.	The company is non-trading and contains the investments in all of the trading components of the group.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	£32,900,000 which represents 70% (2020/21: 70%) of group materiality	£29,600,000 which represents 70% (2020/21: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality for both group and the parent company, we considered the following factors: – our risk assessment, including our assessment of the group's overall control environment; and – the nature, volume and size of misstatements (corrected and uncorrected) in the previous audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £2.0 million (2020/21: £1.3 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.

7. An overview of the scope of our audit

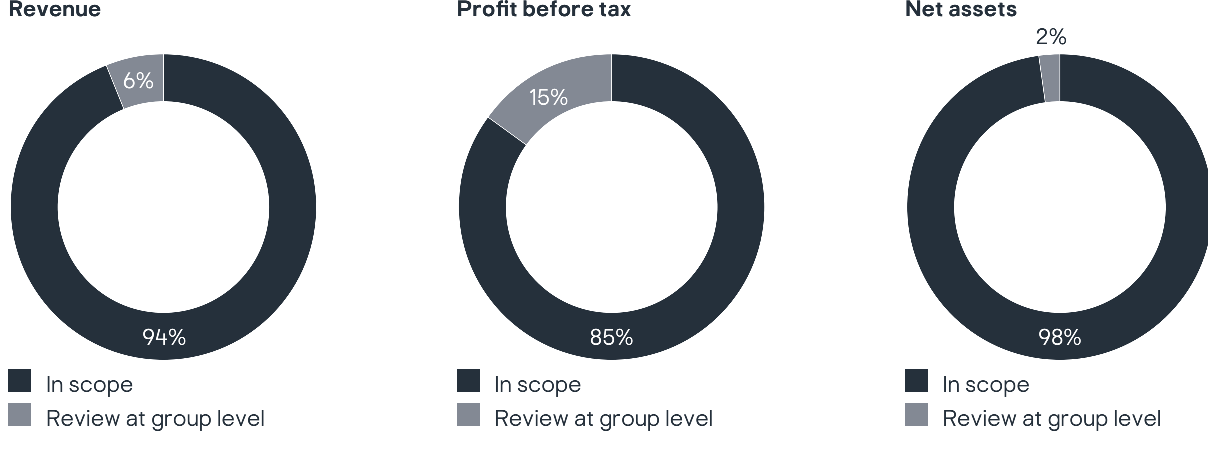
7.1. Identification and scoping of components

Our approach to scoping the group audit was to understand the group and its environment, including group-wide controls, and assess the risks of material misstatement at the group level. The group operates over 1,400 stores (2020/21: 1,300 stores) in eight countries (2020/21: eight countries) across Europe.

We focused our group audit scope primarily on all significant trading entities as well as central sourcing, support and head office entities. In the prior year full scope audit procedures were performed over the following components: B&Q UK, Screwfix UK, Castorama France, Brico Dépôt France, Castorama Poland, and the parent company.

We have reviewed our audit scope in the current year with due consideration of the risk profile, control environment, the changes in the group structure and how much coverage we will obtain. As such we concluded that full scope audit procedures would continue to be performed for B&Q UK, Screwfix UK, Castorama France, Brico Dépôt France, Castorama Poland and the parent company. KITS UK and B&Q Properties were subject to specified audit procedures on prescribed balances associated with defined audit risks. All other entities were subject to analytical procedures at the group level. All financial reporting is managed by local finance functions with group oversight from the head office in London.

In scope entities include both full scope entities and entities subject to specified procedures. These entities account for 94% (2020/21: 95%) of the group's revenue, 85% (2020/21: 99%) of the group's profit before tax and 98% (2020/21: 94%) of the group's net assets.



7.2. Our consideration of the control environment

7.2.1. IT environment

We identified the main finance systems (SAP, CODA, HFM) and some in-store transaction processing systems as the key IT systems relevant to our audit. SAP and CODA are enterprise resource planning systems used for day-to-day financial management at the local level. HFM is a financial reporting system used internally to facilitate the reporting of financial information between the local and group finance teams. IT systems are primarily managed from the centralised Kingfisher IT Services function and therefore we engaged a central IT audit team to evaluate the IT systems to support our audit.

We planned to rely on IT controls associated with SAP and CODA across certain full scope entities. We identified general IT controls relevant to the audit as well as specific IT controls that supported our controls reliance approach for certain business processes. Across the in-scope entities, IT controls were relied on in the trading businesses to support audit work on the revenue, expenditure and inventory processes as detailed in Section 7.2.2.

In order to evaluate the operating effectiveness of IT controls, we performed walkthrough procedures to understand whether the purpose of the control was effectively designed to address the IT related risk and then performed testing of the control across the audit period, to determine whether the control had been consistently applied.

Our procedures enabled us to place reliance on IT controls, as planned, in the audit approach.

7.2.2. Controls reliance

We sought to adopt a controls reliance approach over the revenue, expenditure and inventory processes across certain components of the group.

Our ability to adopt a controls reliance approach relied on the evaluation of testing of the relevant controls in the above business processes throughout the year.

For components that were not subject to full scope audit procedures, we were not able or chose not to adopt a controls reliance approach in the business processes above, having given due consideration to the risk and controls profile of that component. This did not affect our ability to conclude in these areas at either the component or group level.

7.3. Our consideration of climate-related risks

As part of our audit we made enquiries of management to understand the process they have adopted to assess the potential impact of climate change on the financial statements. Management considers that the impact of climate change is an emerging risk over the short term as the operational impacts are not deemed to be significant within their three year principal outlook and plan.

Our procedures have also included the following:

- assessed management's risk assessment associated with climate change; and
- assessed the climate risk disclosures included throughout the strategic report section of the annual report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

7.4. Working with other auditors

We worked closely with the Deloitte component auditors to involve them in our planning procedures and also to maintain oversight throughout the audit process. We communicated our requirements of the component auditors regularly throughout the year and issued referral instructions formalising our requirements of the component teams. We held an internal group wide team meeting to discuss the planned audit approach and the risks within each component.

A senior member of the group audit team maintained regular contact with the component audit teams and discussed significant audit matters arising from the performance of local audit procedures. Periodic meetings with group and component management were held throughout the year to build on the understanding of the significant audit matters within components to inform our group audit approach.

The most significant components of the group are its retail businesses in the UK, France and Poland. As such, there was a high level of communication between these teams to ensure an appropriate level of group audit team involvement in the component audit work.

For each of these most significant components, a senior member of the group audit team reviewed the component working papers, including key planning and reporting documents, the procedures performed to address group significant risks and the procedures performed to respond to other areas of focus and local significant risks, in order to satisfy ourselves that we had obtained sufficient appropriate audit evidence in response to the identified risks.

The Senior Statutory Auditor and other senior members of the group audit team attended the audit close meeting of every component subject to a full scope audit. In performing the procedures detailed above the group audit team reviewed, considered and challenged the key matters relevant to our conclusion in relation to the group audit and assessed the impact on our group audit.

8. Other information

The other information comprises the information included in the annual report being the strategic reports on pages 1 to 54 and the governance reports on pages 55 to 108, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, financial instruments, pensions and IT regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: impairment of store based assets: B&Q UK and France (charges and reversals), classification and presentation of adjusting items and inventory valuation. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements.

The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation, General Data Protection Regulation, government grants, Energy and Carbon regulations, UK corporate governance legislation and UK and overseas tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified impairment of store based assets: B&Q UK and France (charges and reversals), classification and presentation of adjusting items and inventory valuation as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and other tax authorities; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions 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.

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 50;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on pages 49-50;
- the directors' statement on fair, balanced and understandable set out on page 108;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 42-48;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 73-74; and
- the section describing the work of the audit committee set out on pages 71-74.

14. Matters on which we are required to report by exception

14.1. 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.

14.2. 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 in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed as auditor of the group by the Board of Director to audit the financial statements for the year ending 31 January 2010 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 13 years, covering the period ending 31 January 2022.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

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.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report to be filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard (('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Nicola Mitchell FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

21 March 2022

Consolidated income statement

Year ended 31 January 2022

£ millions	Notes	2021/22 Before adjusting items	2021/22 Adjusting items (note 5)	2021/22 Total	2020/21 re-presented (note 2) Before adjusting items	2020/21 re-presented (note 2) Adjusting items (note 5)	2020/21 re-presented (note 2) Total
Sales	4	**13,183**	**–**	**13,183**	12,343	–	12,343
Cost of sales		**(8,248)**	**–**	**(8,248)**	(7,770)	–	(7,770)
Gross profit		**4,935**	**–**	**4,935**	4,573	–	4,573
Selling and distribution expenses		**(3,041)**	**42**	**(2,999)**	(2,843)	12	(2,831)
Administrative expenses		**(836)**	**13**	**(823)**	(809)	(6)	(815)
Other income		**23**	**3**	**26**	19	13	32
Other expenses		**–**	**–**	**–**	–	(49)	(49)
Share of post-tax results of joint ventures and associates	18	**5**	**–**	**5**	6	–	6
Operating profit	4	**1,086**	**58**	**1,144**	946	(30)	916
Finance costs		**(148)**	**–**	**(148)**	(180)	–	(180)
Finance income		**11**	**–**	**11**	20	–	20
Net finance costs	6	**(137)**	**–**	**(137)**	(160)	–	(160)
Profit before taxation	8	**949**	**58**	**1,007**	786	(30)	756
Income tax expense	10	**(212)**	**48**	**(164)**	(182)	18	(164)
Profit for the year		**737**	**106**	**843**	604	(12)	592

	Notes	2021/22	2020/21
Earnings per share	11		
Basic		**40.3p**	28.1p
Diluted		**39.8p**	27.9p
Adjusted basic		**35.2p**	28.7p
Adjusted diluted		**34.8p**	28.5p

The proposed dividend for the year ended 31 January 2022, subject to approval by shareholders at the Annual General Meeting, is 12.40p per share, comprising an interim dividend of 3.80p in respect of the six months ended 31 July 2021 and a final dividend of 8.60p.

The Group no longer uses the term 'exceptional adjusting items' within its Alternative Performance Measure definitions, with the term 'adjusting items' now judged to be more appropriate. As a result, the previous columnar presentation in the consolidated income statement has been revised to include all 'adjusting items', including prior year tax items. Refer to note 2.

Consolidated statement of comprehensive income

Year ended 31 January 2022

£ millions	Notes	2021/22	2020/21
Profit for the year		**843**	592
Remeasurements of post-employment benefits	28	**21**	68
Inventory cash flow hedges – fair value gains/(losses)		**59**	(48)
Tax on items that will not be reclassified		**(18)**	(13)
Total items that will not be reclassified subsequently to profit or loss		**62**	7
Currency translation differences			
Group		**(218)**	112
Joint ventures and associates		**(7)**	(2)
Transferred to income statement	35	**–**	49
Other cash flow hedges			
Fair value gains		**1**	5
Gains transferred to income statement		**(1)**	(5)
Total items that may be reclassified subsequently to profit or loss		**(225)**	159
Other comprehensive (loss)/income for the year		**(163)**	166
Total comprehensive income for the year		**680**	758

Consolidated statement of changes in equity

Year ended 31 January 2022

£ millions	Notes	Share capital	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves (note 30)	Total equity
								2021/22
At 1 February 2021		**332**	**2,228**	**(23)**	**3,630**	**43**	**361**	**6,571**
Profit for the year		**–**	**–**	**–**	**843**	**–**	**–**	**843**
Other comprehensive income/(loss) for the year		**–**	**–**	**–**	**16**	**–**	**(179)**	**(163)**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**859**	**–**	**(179)**	**680**
Inventory cash flow hedges - losses transferred to inventories		**–**	**–**	**–**	**–**	**–**	**16**	**16**
Share-based compensation	31	**–**	**–**	**–**	**27**	**–**	**–**	**27**
New shares issued under share schemes		**–**	**–**	**–**	**5**	**–**	**–**	**5**
Own shares issued under share schemes		**–**	**–**	**15**	**(15)**	**–**	**–**	**–**
Purchase of own shares for cancellation	29	**(7)**	**–**	**–**	**(226)**	**7**	**–**	**(226)**
Purchase of own shares for ESOP trust		**–**	**–**	**(38)**	**–**	**–**	**–**	**(38)**
Dividends	12	**–**	**–**	**–**	**(254)**	**–**	**–**	**(254)**
Tax on equity items		**–**	**–**	**–**	**(1)**	**–**	**(2)**	**(3)**
At 31 January 2022		**325**	**2,228**	**(46)**	**4,025**	**50**	**196**	**6,778**

£ millions	Notes	Share capital	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves (note 30)	Total equity
								2020/21
At 1 February 2020		332	2,228	(23)	2,994	43	228	5,802
Profit for the year		–	–	–	592	–	–	592
Other comprehensive income for the year		–	–	–	44	–	122	166
Total comprehensive income for the year		–	–	–	636	–	122	758
Inventory cash flow hedges - losses transferred to inventories		–	–	–	–	–	13	13
Share-based compensation	31	–	–	–	14	–	–	14
New shares issued under share schemes		–	–	–	1	–	–	1
Own shares issued under share schemes		–	–	14	(14)	–	–	–
Purchase of own shares for ESOP trust		–	–	(14)	–	–	–	(14)
Tax on equity items		–	–	–	(1)	–	(2)	(3)
At 31 January 2021		332	2,228	(23)	3,630	43	361	6,571

Consolidated balance sheet

At 31 January 2022

£ millions	Notes	2021/22	2020/21
Non-current assets			
Goodwill	13	**2,424**	2,427
Other intangible assets	14	**330**	320
Property, plant and equipment	15	**3,078**	3,075
Investment property	16	**33**	20
Right-of-use assets	17	**1,885**	1,845
Investments in joint ventures and associates	18	**17**	20
Post-employment benefits	28	**540**	504
Deferred tax assets	26	**10**	15
Other tax authority asset	37	**64**	57
Derivative assets	24	**1**	–
Other receivables	20	**22**	29
		8,404	8,312
Current assets			
Inventories	19	**2,749**	2,488
Trade and other receivables	20	**300**	290
Derivative assets	24	**37**	5
Current tax assets		**33**	20
Cash and cash equivalents	21	**823**	1,142
Assets held for sale		**6**	12
		3,948	3,957
Total assets		**12,352**	12,269
Current liabilities			
Trade and other payables	22	**(2,674)**	(2,520)
Borrowings	23	**(14)**	(101)
Lease liabilities	33	**(347)**	(330)
Derivative liabilities	24	**(12)**	(59)
Current tax liabilities		**(46)**	(70)
Other tax authority liability	37	**–**	(57)
Provisions	27	**(23)**	(46)
		(3,116)	(3,183)
Non-current liabilities			
Other payables	22	**(10)**	(11)
Borrowings	23	**(2)**	(2)
Lease liabilities	33	**(2,029)**	(2,091)
Derivative liabilities	24	**(1)**	(1)
Deferred tax liabilities	26	**(276)**	(232)
Provisions	27	**(10)**	(33)
Post-employment benefits	28	**(130)**	(145)
		(2,458)	(2,515)
Total liabilities		**(5,574)**	(5,698)
Net assets	4	**6,778**	6,571
Equity			
Share capital	29	**325**	332
Share premium		**2,228**	2,228
Own shares held in ESOP trust		**(46)**	(23)
Retained earnings		**4,025**	3,630
Capital redemption reserve		**50**	43
Other reserves	30	**196**	361
Total equity		**6,778**	6,571

The financial statements were approved by the Board of Directors on 21 March 2022 and signed on its behalf by:

Thierry Garnier
Chief Executive Officer

Bernard Bot
Chief Financial Officer

Consolidated cash flow statement

Year ended 31 January 2022

£ millions	Notes	2021/22	2020/21
Operating activities			
Cash generated by operations	32	**1,411**	1,816
Income tax paid		**(169)**	(166)
Other tax authority payments		**(64)**	–
Net cash flows from operating activities		**1,178**	1,650
Investing activities			
Purchase of property, plant and equipment and intangible assets	4	**(397)**	(281)
Disposal of property, plant and equipment, investment property, assets held for sale and intangible assets		**9**	48
Purchase of businesses, net of cash acquired	34	**–**	(8)
Disposal of businesses, net of cash disposed	35	**7**	27
Interest received		**2**	4
Interest element of lease rental receipts		**1**	2
Principal element of lease rental receipts		**3**	3
Advance payments on right-of-use assets		**(11)**	(2)
Dividends received from joint ventures and associates		**1**	–
Net cash flows used in investing activities		**(385)**	(207)
Financing activities			
Interest paid		**(22)**	(26)
Interest element of lease rental payments		**(135)**	(153)
Principal element of lease rental payments		**(341)**	(309)
Repayment of bank loans		**(2)**	(1)
Issue of fixed term debt		**–**	1,950
Repayment of fixed term debt		**(95)**	(2,011)
Receipt on financing derivatives		**–**	1
New shares issued under share schemes		**5**	1
Purchase of own shares for ESOP trust		**(29)**	(14)
Purchase of own shares for cancellation		**(157)**	–
Ordinary dividends paid to equity shareholders of the Company	12	**(254)**	–
Net cash flows used in financing activities		**(1,030)**	(562)
Net (decrease)/increase in cash and cash equivalents and bank overdrafts		**(237)**	881
Cash and cash equivalents and bank overdrafts at beginning of year		**1,136**	195
Exchange differences		**(90)**	60
Cash and cash equivalents and bank overdrafts at end of year	33	**809**	1,136

Notes to the consolidated financial statements

1 General information

Kingfisher plc ('the Company'), its subsidiaries, joint ventures and associates (together 'the Group') supply home improvement products and services through a network of retail stores and other channels, located mainly in the United Kingdom and continental Europe. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 54.

The Company is incorporated in England and Wales, 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 full list of related undertakings of the Company and their registered offices is given in note 15 of the Company's separate financial statements.

These consolidated financial statements have been approved for issue by the Board of Directors on 21 March 2022.

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, except for the new/amended policies set out below:

– Costs related to the configuration and customisation in cloud computing arrangements (see h. Intangible assets, (ii) Computer software)
– Shares purchased for cancellation (see s. Share repurchases)

a. Basis of preparation

The consolidated financial statements of the Company, its subsidiaries, joint ventures and associates are made up to 31 January, except as disclosed in note 18 of the consolidated financial statements and in note 5 of the Company's separate financial statements. The current financial year is the year ended 31 January 2022 ('the year' or '2021/22'). The comparative financial year is the year ended 31 January 2021 ('the prior year' or '2020/21'). The consolidated income statement and related notes represent results for continuing operations, there being no discontinued operations in the years presented.

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS Standards) as issued by the IASB.

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 accordance 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 judgements and key estimation uncertainties, which are significant to the consolidated financial statements, are outlined in note 3.

Going concern

Based on the Group's liquidity position and cash flow projections, including a forward looking remote downside scenario, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements for the year ended 31 January 2022.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 1 to 54. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 34 to 41. The principal risks and viability statement of the Group are set out on pages 42 to 50. In addition, note 25 includes the Group's financial risk management objectives and exposures to liquidity and other financial risks. The Directors have considered these areas alongside the principal risks and how they may impact going concern.

The new financial year has started positively, reflecting continued strong demand across all our banners (Q1 2022/23 LFL sales (to 19 March 2022) are down by 8.1%, reflecting very strong comparatives in the prior year, however the corresponding 2-year LFL is up 16.0%). While the exceptional demand we have seen since early May 2020 has moderated, the Covid crisis has established longer-term trends that are clearly supportive for our industry – including the renewed importance of the home, more working from home, and the development of a new generation of DIY'ers. We expect these broad trends to endure.

As of 31 January 2022, Kingfisher had access to over £1.3bn of liquidity comprising cash and cash equivalents (net of bank overdrafts) of over £800m and access to undrawn Revolving Credit Facilities (RCFs) of £550m (expiring at the end of May 2024). The ratio of net debt to EBITDA on an IFRS 16 basis was 1.0 as of 31 January 2022.

Considering whether the Group's financial statements can be prepared on a going concern basis, the Directors have reviewed the Group's business activities together with factors likely to affect its performance, financial position and access to liquidity (including consideration of financial covenants and credit ratings).

While trading continues to be strong, in forming their outlook on the future financial performance, the Directors considered the normalisation of store traffic and average spend, the risk of higher business volatility and the potential negative impact of the general economic environment on household and trade spend.

The Directors' review also included a remote scenario to assess the impact of more restrictive containment measures than those experienced during the pandemic to date in the event of a more severe wave of resurgence of the Covid pandemic. The remote scenario considers the impact of a significant drop in sales over a period of six months followed by a period of recovery lasting two months before trading resumes to the expected forecast. The total loss of sales in this scenario is c.£2.1bn against budgeted sales (23% of total sales over the impacted period). The scenario assumes the impact of lost sales is partially offset by a limited set of mitigating actions on variable and discretionary costs, capital expenditure and the suspension of dividend payments. The scenario assumes the £300m share buyback programme announced in September 2021 is completed in full. Even under this remote scenario the group retains significant headroom on its credit facilities with only a limited drawing on the RCF required for a few months.

2 Principal accounting policies continued

Given current trading and expectations for the business, the Directors believe that this scenario reflects a remote outcome for the Group. Should the impact of the pandemic be more prolonged or severe than currently forecast by the Directors under this remote scenario, the Group would need to implement additional operational or financial measures.

Changes to accounting policies as a result of new standards issued and effective

The following new or amended accounting standards are in issue and effective for the current reporting period:

- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Phase 2 amendments)
- Covid-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

The above new or amended accounting standards did not have a material impact on the consolidated financial statements.

Standards issued but not yet effective

At the date of the approval of these financial statements, the following standards which have not been applied in these financial statements were in issue, but not yet effective:

- IFRS 17 (including the June 2020 Amendments to IFRS 17) – Insurance Contracts
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 – Reference to the Conceptual Framework
- Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvement to IFRS Standards 2018-2020 Cycle – Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to IAS 8 – Definition of Accounting Estimates
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

These new standards are not expected to have a material impact on the consolidated financial statements.

Risks and uncertainties

The principal risks and uncertainties to which the Group is exposed are set out in the Strategic Report on pages 1 to 54.

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, adjusted effective tax rate, and adjusted earnings per share provide additional useful information on performance and trends to shareholders. These and other non-GAAP measures (also known as 'Alternative Performance Measures'), such as net debt, are used by Kingfisher for internal performance analysis and incentive compensation arrangements for employees. The terms 'retail profit', 'adjusting items', 'adjusted', 'adjusted effective tax rate', 'net cashflow' and 'net debt' are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measures.

Retail profit is defined as continuing operating profit before central costs, the Group's share of interest and tax of joint ventures and associates and adjusting items. Central costs principally comprise the costs of the Group's head office before adjusting items.

Adjusting items, which are presented separately within their relevant income statement category, include items which by virtue of their size and/or nature, do not reflect the Group's ongoing trading performance. Adjusting items may include, but are not limited to:

- non-trading items included in operating profit such as profits and losses on the disposal, closure, exit or impairment of subsidiaries, joint ventures, associates and investments which do not form part of the Group's ongoing trading activities;
- the costs of significant restructuring and incremental acquisition integration costs;
- profits and losses on the disposal/exit of properties, impairments of goodwill and significant impairments (or impairment reversals) of other non-current assets;
- prior year tax items (including the impact of changes in tax rates on deferred tax), significant one-off tax settlements and provision charges/releases and the tax effects of other adjusting items;
- financing fair value remeasurements i.e. 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 (or non-designated) hedge relationships. Financing derivatives are those that relate to hedged items of a financing nature.

The term 'adjusted' refers to the relevant measure being reported for continuing operations excluding adjusting items.

The adjusted effective tax rate is calculated as continuing income tax expense excluding prior year tax items (including the impact of changes in tax rates on deferred tax), significant one-off tax settlements and provision charges/releases and the tax effects of other adjusting items, divided by continuing profit before taxation excluding adjusting items. Prior year tax items represent income statement tax relating to underlying items originally arising in prior years, including the impact of changes in tax rates on deferred tax. The exclusion of items relating to prior years, and those not in the ordinary course of business, helps provide a better indication of the Group's ongoing rate of tax.

Net debt comprises lease liabilities, borrowings and financing derivatives (excluding accrued interest) less cash and cash equivalents and short-term deposits, including such balances classified as held for sale.

Re-presentation of income statement

The Group no longer uses the term 'exceptional adjusting items' within its Alternative Performance Measure definitions, with the term 'adjusting items' now judged to be more appropriate given the potential for certain items previously classified as 'exceptional adjusting items' to be recurring in nature. This removes the previous distinction between 'exceptional adjusting items' and other adjusting items (i.e. prior year tax items and financing fair value remeasurements) from the Group's Alternative Performance Measures and simplifies the Group's reporting of such items. As a result, the consolidated income statement comparatives for the year ended 31 January 2021, which previously included separate presentation of 'exceptional adjusting items', have been re-presented to include all 'adjusting items' (as defined above) separately in the columnar presentation. The effect of this change is the inclusion within the 'Adjusting items' column of those prior year tax items that were not previously classified as 'exceptional adjusting items' (2021/22: £59m credit, 2020/21: £21m credit). Financing fair value remeasurements are £nil in the current and prior year. This represents a change in terminology and presentation only, with no impact on adjusted or statutory performance measures. Refer to note 5.

Refer to the Financial Review for definitions of all of the Group's Alternative Performance Measures, including further information on why they are used and details of where reconciliations to statutory measures can be found where applicable.

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

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

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.

2 Principal accounting policies continued

c. Foreign currencies

(i) Presentation and functional currencies

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

(ii) Transactions and balances

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

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

(iii) Group companies

The balance sheets of overseas 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, lease liabilities 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 (being the date of transition to IFRS) 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, and not subsequently retranslated.

(iv) Principal rates of exchange against Sterling

	2021/22		2020/21	
	Average rate	**Year end rate**	Average rate	Year end rate
Euro	**1.17**	**1.20**	1.12	1.13
US Dollar	**1.38**	**1.34**	1.29	1.37
Polish Zloty	**5.34**	**5.49**	5.00	5.11
Romanian Leu	**5.76**	**5.92**	5.43	5.50
Russian Rouble	**n/a**	**n/a**	92.43*	103.99

* The Group completed the sale of Castorama Russia on 30 September 2020. The 2020/21 Russian Rouble YTD average rate relates to the period to 30 September 2020 (i.e. to the date of disposal).

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.

Revenue is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue from in-store product sales is recognised when the customer takes possession of the products (i.e. on payment). Revenue from online 'click & collect' product sales is recognised on collection of the products. Where customers have a right to return purchased goods in exchange for a refund, a liability for returns is recognised based on historic trends and offset against revenue in the period in which the sale was made. An asset (with a corresponding adjustment to cost of sales) is also recognised for goods expected to be returned from customers. 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.

Revenue from sales of delivered products is recognised on delivery. Supply of delivered products is judged to be one single performance obligation.

Service sales typically comprise kitchen and bathroom installations. Revenue from these services is recognised on completion of the relevant installation.

Sales from delivered products and installation services represent only a small component of the Group's sales as the majority relates to in-store and online 'click & collect' purchases of products.

Other income includes external rental income and gains on disposal of assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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 credited to cost of sales in the income statement when the relevant conditions have been fulfilled.

f. Government grants

Government grant income is recognised in the income statement over the periods necessary to match the benefit of the credit with the costs for which it is intended to compensate. The grant is only recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received. Grant income is recorded as a deduction to the related expense, where the expense has been incurred in the same period as the grant income received.

g. 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.

h. 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 at country level (except for NeedHelp), representing the lowest level at which it is monitored for internal management purposes, 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 pre-tax discount rates are derived from the Group's weighted average cost of capital, taking into account the cost of equity and debt, to which specific market-related premium adjustments are made for each country in which the cash generating unit ('CGU') operates. 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.

Costs related to the configuration and customisation in cloud computing arrangements, where they do not give the Group power to control the future economic benefits and to restrict access of others to those benefits, are not capitalised as they do not meet the definition of intangible benefits under IAS 38. Such costs are expensed as incurred. Configuration and customisation in cloud computing arrangements are only capitalised where a separate asset is created and capitalisable under IAS 38.

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, or when there is an indication of impairment.

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

i. 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 less accumulated depreciation.

(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 buildings	– over remaining useful life
– Leasehold improvements	– 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

(iii) Impairment

At each reporting date an assessment is performed as to whether there are any indicators that property, plant and equipment, including the Group's stores, may be impaired or whether there is any indication that an impairment loss recognised in a previous period either no longer exists or has decreased. Should such indicators exist, the assets' recoverable amounts are subsequently estimated. For store impairment testing, each individual store is determined to be a cash generating unit. 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. A vacant possession valuation basis is used to approximate the fair value less costs to sell. The pre-tax discount rates are derived from the Group's weighted average cost of capital, taking into account the cost of equity and debt, to which specific market-related premium adjustments are made for each country. Long-term growth rates are derived from both external long-term inflation forecasts for the territories in which the businesses operate and internal long-term sales projections. Any impairment or impairment reversal is charged or credited to the income statement in the period in which it occurs.

2 Principal accounting policies continued

(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.

j. Leased assets

The Group assesses whether a contract is or contains a lease at inception of the contract. Typically, lease contracts relate to properties such as stores and distribution centres, and equipment leases such as mechanical handling equipment and vehicles. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The liability is initially measured as the present value of the lease payments not yet paid at the commencement date, discounted at an appropriate discount rate. Where the implicit rate in the lease is not readily determinable, an incremental borrowing rate is calculated and applied. The calculation methodology is based upon applying a financing spread to a risk-free rate, with the resulting rate including the effect of the creditworthiness of the operating company in which the lease is contracted, as well as the underlying term, currency and start date of the lease agreement.

Lease payments used in the measurement of the lease liability principally comprise fixed lease payments (subject to indexation/ rent reviews) less any incentives. The lease liability is subsequently measured using an effective interest method whereby the carrying amount of the lease liability is measured on an amortised cost basis, and the interest expense is allocated over the lease term. The lease term comprises the non-cancellable lease term, in addition to optional periods when the Group is reasonably certain to exercise an option to extend (or not to terminate) a lease.

The Group remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever an event occurs that changes the term or payment profile of a lease, such as the renewal of an existing lease, the exercise of lease term options, market rent reviews and indexation. A lease liability which is denominated in a currency that is not the functional currency of the relevant Group entity (e.g. a Euro-denominated lease in Castorama Poland) is translated into that entity's functional currency with foreign exchange gains and losses recorded in the income statement, unless the lease liability is able to be designated as a net investment hedge with foreign exchange gains and losses recorded in other comprehensive income.

The right-of-use assets are initially measured at the amount equal to the lease liability, adjusted by any upfront lease payments or incentives and any initial direct costs incurred. Subsequently, the assets are measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated on a straight-line basis over the remaining lease term.

Lessor accounting

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

k. Investment property

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

l. 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.

m. Inventories

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

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

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Write downs to net realisable value are made for slow moving, display, 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.

n. 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.

Remeasurement 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.

o. 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.

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. For uncertain tax positions, on the basis that tax authorities have full knowledge of the relevant information it is determined whether it is probable that, in aggregate, an outflow of economic resources will occur following investigation. The potential impact of the relevant tax authority's examination of the uncertain tax positions is measured to make the best estimate of the amount of the tax benefit that may be lost, for which liabilities are then recorded. 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 liabilities 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.

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 to other comprehensive income or directly to equity, in which case the current or deferred tax is also recognised in other comprehensive income or 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.

Operating levies, such as certain revenue, property and payroll-based taxes, are not treated as income tax and are included within operating profit. The timing of recognition of a liability to pay an operating levy is determined by the event identified under the relevant legislation that triggers the obligation to pay the levy.

p. Provisions and contingent liabilities

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.

2 Principal accounting policies continued

A provision is recorded if the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it. The unavoidable costs reflect the net cost of exiting the contract.

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. Credits or charges arising from changes in the rate used to discount the provisions are recognised within net finance costs.

Contingent liabilities are possible obligations arising from past events, whose existence will only be confirmed by future uncertain events that are not wholly within the Group's control, or present obligations where it is not probable that an outflow of resources will be required or the amount of the obligation cannot be reliably measured. If the outflow of economic resources is not considered remote, contingent liabilities are disclosed but not recognised in the financial statements.

q. 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 financial 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.

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, uncleared credit card receipts, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less. For cashflow statement reporting purposes, the Group considers bank overdrafts as part of cash and cash equivalents.

(ii) Borrowings

Interest bearing borrowings are recorded at fair value (which is typically equivalent to 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 equity investments (where the Group does not have control, joint control or significant influence in the investee), short-term deposits with banks and other investments with original maturities of more than three months. Any dividends received are recognised in the income statement. Changes in fair value of the investments are recognised in the profit and loss as they arise unless the Group irrevocably elects at initial recognition (if criteria are met) to recognise changes in fair value through other comprehensive income. The fair value movements recognised in other comprehensive income are never reclassified to profit and loss, even if the asset is impaired, sold or otherwise derecognised.

(iv) Trade receivables

Trade receivables are initially recognised at their transaction price and are subsequently measured at amortised cost less any allowance for expected credit losses.

(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 other comprehensive income, 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 deferred 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 or lease liabilities, the gains

or losses on retranslation are recognised in other comprehensive income. If the Group uses derivatives as the hedging instrument, the effective portion of the hedge is recognised in other comprehensive income, 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 risk management objective and strategy for undertaking the hedge and 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 will be highly effective on an ongoing basis and provides an analysis of the sources of hedge ineffectiveness. The effectiveness testing is performed at half year and year end or upon a significant change in circumstances affecting the hedge effectiveness requirements.

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 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 deferred 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.

r. 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.

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, right-of-use assets 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 joint venture or an interest in an associate becomes classified as held for sale.

s. Share repurchases

Shares purchased for cancellation are deducted from retained earnings. The Group uses irrevocable closed period buyback programmes. A liability to purchase shares is recognised at inception of the programme with any subsequent reduction in the obligation credited back to retained earnings at the end of the programme. Share capital is reduced and credited to the capital redemption reserve, maintaining non-distributable reserves.

3 Critical accounting judgements and key sources of estimation uncertainty

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 significant judgements applied in the preparation of the financial statements, along with estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below.

Note that climate change has been classified as an 'emerging risk' over the short-term (as set out on page 43 of the Strategic Report) as the operational impacts are not deemed to be significant within our three-year principal risk outlook period. Although commitments we have made to date form part of the cash flow projections within our going concern and impairment assessments (refer to notes 2a and 13 respectively), it is not judged to have been a key driver in determining the outcomes of these exercises and is therefore not currently classified as a key source of estimation uncertainty within our financial statements. We will continue to review this classification as our assessments of the impacts, risks and opportunities presented by climate change and the Group's commitments to address the challenges presented evolve over the coming years.

Key sources of estimation uncertainty

Inventories

The carrying amount of inventories recognised on the balance sheet, which are carried at the lower of cost and net realisable value, are subject to estimates around rates of provision applied to certain inventory items. The level of provisions recorded are subject to estimation uncertainty in determining the eventual sales price of goods to customers in the future, as well as assessing which items may be slow-moving or obsolete. This is impacted by factors such as stock turn, range or delisted status, shrinkage, damage, obsolescence and range review activity.

Range reviews and resulting clearance activity adds additional complexity to assessing the level of inventory that may become obsolete and the expected net realisable value of inventory which will be sold.

The carrying amount of inventories subject to estimation uncertainty is £2,749m (2020/21: £2,488m). A 1% increase in the provision as a percentage of gross inventory (before provisions and a deduction for rebates), which based on management's judgement represents a reasonably possible change, would result in a £29m decrease in the carrying amount of inventories (2020/21: £27m).

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.

3 Critical accounting judgements and key sources of estimation uncertainty continued

Impairment of store based assets

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

Assets are reviewed for impairment if events or changes in circumstances indicate that their carrying amount may not be recoverable, or where there is any indication that an impairment loss recognised in a previous period either no longer exists or has decreased. 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.

The determination of value-in-use for store assets requires the estimation of future cash flows expected to arise from the continuing operation of the store and the determination of suitable discount and long-term growth rates in order to calculate the present value of the forecast cash flows. Sales projections take into consideration both external factors such as market expectations, and internal factors such as trading plans. For certain stores, they assume sales increases that are higher than recent (pre-pandemic) experience and market growth expectations, driven by an improved and differentiated offer. Assumed margin percentage improvements reflect increased sales of the Group's own exclusive brands (OEB) as well as lower cost of sales from leveraging our key vendors, and better clearance management. Higher assumed operating profit percentages reflect operational leverage from increased sales as well as cost savings through operational efficiencies, including more efficient organisation and leveraging our GNFR spend. Actual outcomes could vary significantly from these estimates and sensitivity analyses are undertaken to assess the impact of projected benefits not being realised.

During the year, the Group has recorded net store asset impairment reversals of £33m (2020/21: £42m) as adjusting items principally relating to revised future performance projections.

The following changes in assumptions, which based on the Group's previous experience and management's judgement represent reasonably possible changes, would lead to the following impacts on the net impairment:

Assumption	Change in assumption	Impact on net impairment reversal
Operating cash flows	Decrease by 10%	Decrease by £13m
Discount rate	Increase by 1%	Decrease by £8m
Long-term growth rate	Decrease by 1%	Decrease by £5m

Further information relating to store assets is provided in notes 15 and 17.

Post-employment benefits

The present value of the defined benefit liabilities recognised on the balance sheet is dependent on a number of market rates and 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 and the net deficit or surplus position. The market rates and assumptions are based on the conditions at the time and changes in these can lead to significant movements in the estimated obligations. During the year, changes in financial and demographic assumptions have resulted in a decrease in defined benefit liabilities of £127m. To help the reader understand the impact of changes in the key market rates and assumptions, a sensitivity analysis is provided in note 28.

Critical accounting judgements

Adjusting items

The Group separately reports adjusting items in order to calculate adjusted results, as it believes these adjusted measures provide additional useful information on continuing performance and trends to shareholders.

Judgement is required in determining whether an item should be classified as an adjusting item or included within adjusted results.

The Group's definition of adjusting items is outlined in note 2 (a). During the year the Group has recorded, before taxation, adjusting items of £58m credit (2020/21: £30m debit). Total adjusting items after taxation were £106m credit (2020/21: £12m debit). Refer to note 5 for further information on adjusting items.

Income taxes

The Group is subject to income taxes in numerous jurisdictions in which it operates and there are many transactions for which the ultimate tax determination is open to differing interpretations during the ordinary course of business. Significant judgement may therefore be required in determining the liability for income taxes in each of these territories. Where it is anticipated that additional taxes are probable, the Group recognises liabilities for the estimate of any potential exposure. These judgements are continually reassessed, and where the final outcome of these matters is different from the initially recorded amount, such differences will impact the income tax and deferred tax liabilities 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 other comprehensive income as appropriate, and are disclosed in the notes to the accounts. Refer to notes 10 and 26.

Judgement has continued to be required in determining the outcome of the European Commission's state aid investigation into the Group Financing Exemption section of the UK controlled foreign company rules. In January 2021, the Group received a charging notice from HM Revenue & Customs (HMRC) for £57m, which was paid in February 2021, with a further £7m interest paid in April 2021. The final impact on the Group remains uncertain but based upon advice taken, the Group considers that the amount paid of £64m, which is included in non-current assets, will ultimately be recovered. Further details are provided in note 37.

4 Segmental analysis

Income statement

£ millions	UK & Ireland	France	*Poland*	*Other*	Other International	Total
						2021/22
Sales	**6,505**	**4,498**	*1,525*	*655*	**2,180**	**13,183**
Retail profit/(loss)	**794**	**221**	*135*	*(2)*	**133**	**1,148**
Central costs						**(60)**
Share of interest and tax of joint ventures and associates						**(2)**
Adjusting items						**58**
Operating profit						**1,144**
Net finance costs						**(137)**
Profit before taxation						**1,007**

£ millions	UK & Ireland	France	*Poland*	*Other*	Other International	Total
						2020/21
Sales	5,743	4,309	*1,550*	*741*	2,291	12,343
Retail profit/(loss)	681	181	*146*	*(5)*	141	1,003
Central costs						(54)
Share of interest and tax of joint ventures and associates						(3)
Adjusting items						(30)
Operating profit						916
Net finance costs						(160)
Profit before taxation						756

Balance sheet

£ millions	UK & Ireland	France	*Poland*	*Other*	Other International	Total
						2021/22
Segment assets	**3,052**	**1,682**	*942*	*332*	**1,274**	**6,008**
Central liabilities						**(82)**
Goodwill						**2,424**
Net debt						**(1,572)**
Net assets						**6,778**

£ millions	UK & Ireland	France	*Poland*	*Other*	Other International	Total
						2020/21
Segment assets	2,774	1,686	*899*	*303*	1,202	5,662
Central liabilities						(124)
Goodwill						2,427
Net debt						(1,394)
Net assets						6,571

4 Segmental analysis continued

Other segmental information

2021/22

£ millions	UK & Ireland	France	*Poland*	*Other*	Other International	Central	Total
Capital expenditure	**221**	**91**	*73*	*10*	**83**	**2**	**397**
Depreciation and amortisation	**340**	**138**	*50*	*27*	**77**	**–**	**555**
Impairment losses	**16**	**15**	*–*	*–*	**–**	**–**	**31**
Impairment reversals	**(26)**	**(24)**	*(1)*	*(11)*	**(12)**	**–**	**(62)**
Non-current assets[1]	**4,429**	**2,172**	*865*	*299*	**1,164**	**2**	**7,767**

2020/21

£ millions	UK & Ireland	France	*Poland*	*Other*	Other International	Central	Total
Capital expenditure	134	50	*85*	*10*	95	2	281
Depreciation and amortisation	326	130	*46*	*27*	73	7	536
Impairment losses	8	17	*1*	*30*	31	3	59
Impairment reversals	(21)	(39)	*–*	*(6)*	(6)	–	(66)
Non-current assets[1]	4,297	2,219	*865*	*319*	1,184	7	7,707

1. Non-current assets comprise goodwill, other intangible assets, property, plant and equipment, right-of-use assets, investment property and investments in joint ventures and associates.

The operating segments disclosed above are based on the information reported internally to the Board of Directors and Group Executive, representing the geographical areas in which the Group operates. The Group only has one reportable business segment being the supply of home improvement products and services. The majority of the sales in each geographical area are derived from in-store and online sales of products.

The 'Other International' segment consists of Poland, Iberia, Romania, the joint venture Koçtaş in Turkey, NeedHelp, Screwfix International, results from franchise agreements and, in the prior year, Russia. Poland has been shown separately due to its significance.

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

5 Adjusting items

£ millions	2021/22	2020/21
Included within selling and distribution expenses		
Net store asset impairment reversals	**33**	42
Release of France and other restructuring provisions	**9**	–
Impairments of Russia assets and other exit costs	**–**	(27)
IT asset write-downs and related costs	**–**	(3)
	42	12
Included within administrative expenses		
Release of France uncertain operating tax position	**9**	–
Commercial operating model restructuring	**4**	(16)
Release of B&Q China disposal warranty liability	**–**	10
	13	(6)
Included within other income/(expenses)		
Profit on exit of properties	**3**	13
Loss on disposal of Castorama Russia	**–**	(49)
	3	(36)
Adjusting items before tax	**58**	(30)
Prior year and other adjusting tax items	**48**	18
Adjusting items	**106**	(12)

Revised future store performance projections, reflecting continued strong trading and benefits arising from the Group's 'Powered by Kingfisher' strategy, have resulted in net store asset impairment reversals of £33m. These predominately comprised reversals of adjusting impairment charges recorded in 2019/20.

Current year adjusting items include a £9m credit principally arising due to savings on costs relating to legacy store closure programmes in France as compared with the original restructuring provisions recognised as adjusting items.

A £9m liability that was held in relation to an uncertain operating tax position in France has been released in the year. This formed part of a liability of £26m that had been recorded as an adjusting item in 2019/20.

In the prior year, the Group commenced formal consultation with employee representatives regarding its proposal to implement a new commercial operating model. A credit of £4m has been recognised in the current year due to cost savings as compared with the original restructuring provisions recognised as adjusting items.

A profit of £3m has been recorded on the exit of two properties in the UK and one property in France.

Prior year and other adjusting tax items of £48m relate principally to the impact of the enacted future increase in the UK tax rate on deferred tax balances and a release of prior year provisions for uncertain tax positions, which reflect a reassessment of expected outcomes, agreed positions with tax authorities and items that have time-expired. Of this amount, a £26m credit is included within current tax and a £22m credit is included within deferred tax respectively. Refer to note 10.

6 Net finance costs

£ millions	**2021/22**	2020/21
Bank overdrafts, bank loans and derivatives	**(7)**	(13)
Fixed term debt	**(3)**	(14)
Lease liabilities	**(135)**	(153)
Capitalised interest	**–**	2
Other interest payable	**(3)**	(2)
Finance costs	**(148)**	(180)
Cash and cash equivalents and short-term deposits	**2**	3
Net interest income on defined benefit pension schemes	**8**	6
Finance lease income	**1**	2
Release of liability for interest on uncertain tax positions	**–**	9
Finance income	**11**	20
Net finance costs	**(137)**	(160)

Fixed term debt interest includes amortisation of issue costs on borrowing facilities of £2m (2020/21: £3m).

7 Government grants

In the prior year, the Group announced furlough programmes to some of our colleagues in the UK, Republic of Ireland, France, Poland, Spain and Romania, such as the Coronavirus Job Retention Scheme (CJRS) in the UK and 'activité partielle' relief measures in France. Approximately 50% of the Group's colleagues were furloughed in April 2020, reducing to c.10% by the end of May 2020 as stores within the UK and France were reopened. With the exception of those who were vulnerable and/or at a higher risk of infection, all furloughed colleagues returned by 1 July 2020.

In addition, the UK government announced in March 2020 that retail premises in England would be granted relief from paying business rates in the 2020/21 tax year, effective from April 2020. Similar measures (a combination of payment deferrals and relief) were announced by the local governments and assemblies of Scotland, Wales and Northern Ireland, as well as the Republic of Ireland.

In Q4 2020/21, the Group repaid £25m received in the first half of that year under the UK and Republic of Ireland furlough programmes and decided to repay and forego all UK and Republic of Ireland business rates relief for the entire 2020/21 tax year. Kingfisher's total business rates bill eligible for relief in 2020/21 was £105m.

Participation in government support schemes lowered the operating costs of the Group by £45m for the year ended 31 January 2021.

Government grants for the year ended 31 January 2022 lowered the operating costs of the Group by £6m, principally relating to Poland, where national lockdown restrictions resulted in the temporary closure of all stores between 27 March and 3 May 2021.

8 Profit before taxation

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

£ millions	2021/22	2020/21
Research and development recognised as an expense	**1**	1
Government grants	**(6)**	(45)
Amortisation of intangible assets[1]	**82**	69
Depreciation of property, plant and equipment, investment property and right of use assets	**473**	467
Impairment of intangible assets	**2**	9
Impairment of property, plant and equipment, right-of-use assets and assets held for sale	**29**	50
Reversal of impairment of property, plant and equipment and right-of-use assets	**(62)**	(66)
Loss/(gain) on disposal:		
Land and buildings and investment property	**1**	–
Fixtures, fittings and equipment	**–**	3
Sale and leasebacks	**–**	(13)
Write-down to recoverable amount of trade and other receivables	**1**	5

1. Of the amortisation of intangible assets charge, £2m (2020/21: £1m) and £80m (2020/21: £68m) are included in selling and distribution expenses and administrative expenses respectively.

Auditor's remuneration

£ millions	2021/22	2020/21
Fees payable for the audit of the Company and consolidated financial statements	**0.5**	0.5
Fees payable to the Company's auditor and their associates for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation	**1.2**	1.2
Audit fees	**1.7**	1.7
Audit-related assurance services	**0.2**	0.2
Other assurance services	**0.1**	0.1
Non-audit fees	**0.3**	0.3
Auditor's remuneration	**2.0**	2.0

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 73. Audit-related assurance services relate to the interim review. Other assurance services include assurance services provided in relation to the renewal of the Group's Euro Medium Term Note programme and local regulatory filings. No services were provided pursuant to contingent fee arrangements.

9 Employees and Directors

£ millions	2021/22	2020/21
Wages and salaries	**1,667**	1,556
Social security costs	**298**	278
Post-employment benefits		
Defined contribution	**43**	34
Defined benefit (service cost)	**14**	10
Share-based compensation	**27**	13
Employee benefit expenses	**2,049**	1,891

Number thousands	2021/22	2020/21
Stores	**76**	72
Administration	**6**	6
Average number of persons employed	**82**	78

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

Remuneration of key management personnel

£ millions	2021/22	2020/21
Short-term employee benefits	**10.0**	9.8
Post-employment benefits	**0.6**	0.5
Share-based compensation	**9.8**	0.3
	20.4	10.6

The Group defines key management personnel as being those members 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 75 to 104. Other than as set out in the Directors' Remuneration Report, there have been no transactions with key management during the year (2020/21: £nil).

10 Income tax expense

£ millions	2021/22	2020/21
UK corporation tax		
Current tax on profits for the year	**(80)**	(102)
Adjustments in respect of prior years	**2**	10
	(78)	(92)
Overseas tax		
Current tax on profits for the year	**(87)**	(61)
Adjustments in respect of prior years	**31**	5
	(56)	(56)
Current tax	**(134)**	(148)
Deferred tax		
Current year	**(56)**	(26)
Adjustments in respect of prior years	**1**	2
Adjustments in respect of changes in tax rates	**25**	8
Deferred tax	**(30)**	(16)
Income tax expense	**(164)**	(164)

10 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 19% (2020/21: 19%). The differences are explained below:

£ millions	2021/22	2020/21
Profit before taxation	**1,007**	756
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020/21: 19%)	**(191)**	(144)
Net expense not deductible for tax purposes	**(8)**	(19)
Temporary differences:		
Losses not recognised	**(3)**	(10)
Foreign tax rate differences	**(21)**	(16)
Adjustments in respect of prior years	**34**	17
Adjustments in respect of changes in tax rates	**25**	8
Income tax expense	**(164)**	(164)

The adjusted effective tax rate on profit before adjusting items is 22% (2020/21: 23%). The effective tax rate calculation is set out in the Financial Review on page 36.

The overall tax rate for the year is 16% (2020/21: 22%). This predominately reflects the applicable tax treatment of adjusting items, the revaluation of deferred tax balances in the year due to the announcement to increase the UK rate of tax, alongside a release of prior year provisions which reflect a reassessment of expected outcomes, agreed positions with tax authorities and items that have time expired. Net expenses not deductible for tax purposes do not include any significant values that have been netted off.

In addition to the amounts charged to the income statement, tax of £21m has been debited directly to equity (2020/21: £16m debit) of which a £4m credit (2020/21: £4m credit) is included in current tax and a £25m debit (2020/21: £20m debit) is included in deferred tax and principally relates to cash flow hedges and post-employment benefits.

Changes in tax rates

The UK Budget on 3 March 2021 announced the intention to increase the tax rate from the current rate of 19% to 25%, with effect from April 2023. The change was substantively enacted in May 2021, with the effect of reducing the net deferred tax liability as reported at the year end by £25m. This reflects an increase in net deferred tax assets that would be expected to reverse in the future at the new rate, with net deferred tax liabilities not impacted by this future change in rate.

French legislation is progressively reducing the applicable rate in France for large companies to 25.83% by 2022/23. The intervening rate applicable for 2021/22 was 28.41%. These financial statements reflect these enacted future rates, where appropriate.

11 Earnings per share

Pence	2021/22	2020/21
Basic earnings per share	**40.3**	28.1
Effect of dilutive share options	**(0.5)**	(0.2)
Diluted earnings per share	**39.8**	27.9
Basic earnings per share	**40.3**	28.1
Adjusting items before tax	**(2.8)**	1.4
Prior year and other adjusting tax items	**(2.3)**	(0.8)
Adjusted basic earnings per share	**35.2**	28.7
Diluted earnings per share	**39.8**	27.9
Adjusting items before tax	**(2.7)**	1.4
Prior year and other adjusting tax items	**(2.3)**	(0.8)
Adjusted diluted earnings per share	**34.8**	28.5

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.

The calculation of basic and diluted earnings per share is based on the profit for the period attributable to equity shareholders of the Company. A reconciliation of statutory earnings to adjusted earnings is set out below:

£ millions	**2021/22**	2020/21
Earnings	**843**	592
Adjusting items before tax	**(58)**	30
Prior year and other adjusting tax items	**(48)**	(18)
Adjusted earnings	**737**	604

The weighted average number of shares in issue during the period, excluding those held in the Employee Share Ownership Plan Trust ('ESOP trust'), is set out below:

Weighted average number of shares (millions)	**2021/22**	2020/21
Basic	**2,092**	2,105
Diluted	**2,116**	2,119

12 Dividends

£ millions	**2021/22**	2020/21
Dividends paid to equity shareholders of the Company		
Ordinary interim dividend for the year ended 31 January 2021 of 2.75p per share	**58**	–
Ordinary final dividend for the year ended 31 January 2021 of 5.50p per share	**116**	–
Ordinary interim dividend for the year ended 31 January 2022 of 3.80p per share	**80**	–
	254	–

The proposed dividend for the year ended 31 January 2022, subject to approval by shareholders at the Annual General Meeting, is 12.40p per share, comprising an interim dividend of 3.80p in respect of the six months ended 31 July 2021 and a final dividend of 8.60p.

13 Goodwill

£ millions	
Cost	
At 1 February 2021	**2,460**
Exchange differences	**(3)**
At 31 January 2022	**2,457**
Impairment	
At 1 February 2021	**(33)**
At 31 January 2022	**(33)**
Net carrying amount	
At 31 January 2022	**2,424**
Cost	
At 1 February 2020	2,449
Additions	9
Exchange differences	2
At 31 January 2021	2,460
Impairment	
At 1 February 2020	
Charge for the year	(33)
At 31 January 2021	(33)
Net carrying amount	
At 31 January 2021	2,427

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	Romania	NeedHelp	Total
At 31 January 2022						
Cost	**1,796**	**523**	**81**	**49**	**8**	**2,457**
Impairment	**–**	**–**	**–**	**(33)**	**–**	**(33)**
Net carrying amount	**1,796**	**523**	**81**	**16**	**8**	**2,424**
At 31 January 2021						
Cost	1,796	524	81	50	9	2,460
Impairment	–	–	–	(33)	–	(33)
Net carrying amount	1,796	524	81	17	9	2,427

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

The groups of CGUs for which the carrying amount of goodwill is deemed significant are the UK, France and Poland. The key assumptions used for value-in-use calculations are set out below.

Assumptions

The cash flow projections are based on approved strategic plans covering at least a three-year period. These are based on both past performance and expectations for future market development. The projections reflect the expected benefits from certain strategic initiatives, including an increased offer, an improved digital journey and improved operational efficiency. As required under IFRS, cash flows related to uncommitted future restructurings and enhancement capital expenditure are excluded from the projections for impairment testing purposes. For further details, refer to the Strategic Report on pages 1 to 54.

Key drivers in the strategic plans are sales growth, margin and operating profit percentages. Sales projections take into consideration both external factors such as market expectations, and internal factors such as execution on our strategy. They assume sales increases in each country that are driven by an enlarged offer, an improved digital journey and local trading initiatives, supported by structural changes in the growth of the home improvement market. Assumed gross margin percentages benefit from increased sales of the Group's higher margin own exclusive brands (OEB), vendor negotiations and operational leverage from increased sales on logistics and distribution costs. Assumed operating profit percentages reflect better utilisation of fixed costs as well as cost savings through operational efficiencies, including a more efficient organisation and leveraging our goods-not-for-resale spend.

Cash flows beyond the period of the strategic plans are calculated using a growth rate which does not exceed the long-term average growth rate for the countries in which the Group's CGUs operate.

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 UK, France and Poland CGUs to exceed their recoverable amounts.

The pre-tax discount rates are derived from the Group's weighted average cost of capital, taking into account the cost of equity and debt, to which specific market-related premium adjustments are made for each country in which the CGU operates.

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

			2021/22			2020/21
Annual % rate	**UK**	**France**	**Poland**	UK	France	Poland
Pre-tax discount rate	**9.2**	**8.9**	**10.6**	7.7	7.4	8.3
Post-tax discount rate	**7.6**	**7.3**	**9.3**	6.8	6.1	7.3
Long-term growth rate	**2.7**	**2.3**	**3.7**	2.8	2.2	2.8

14 Other intangible assets

£ millions	Computer software	Other	Total
Cost			
At 1 February 2021	**767**	**16**	**783**
Additions	**95**	**–**	**95**
Disposals	**(22)**	**(2)**	**(24)**
Exchange differences	**(4)**	**–**	**(4)**
At 31 January 2022	**836**	**14**	**850**
Amortisation			
At 1 February 2021	**(452)**	**(11)**	**(463)**
Charge for the year	**(81)**	**(1)**	**(82)**
Impairment losses	**(2)**	**–**	**(2)**
Disposals	**22**	**2**	**24**
Exchange differences	**2**	**1**	**3**
At 31 January 2022	**(511)**	**(9)**	**(520)**
Net carrying amount			
At 31 January 2022	**325**	**5**	**330**
Cost			
At 1 February 2020	745	17	762
Additions	57	–	57
Disposals	(38)	(2)	(40)
Exchange differences	3	1	4
At 31 January 2021	767	16	783
Amortisation			
At 1 February 2020	(412)	(11)	(423)
Charge for the year	(68)	(1)	(69)
Impairment losses	(9)	–	(9)
Disposals	38	2	40
Exchange differences	(1)	(1)	(2)
At 31 January 2021	(452)	(11)	(463)
Net carrying amount			
At 31 January 2021	315	5	320

Additions in the current and prior year primarily related to the development of IT infrastructure for the benefit of the Group. This included expenditure related to the continued roll-out of a common IT platform, which is amortised over its estimated useful life of 10 years as it becomes available for use in the operating companies.

Impairment losses of £2m (2020/21: £9m) have been recognised relating to IT intangible assets.

Computer software includes £206m (2020/21: £183m) of internally generated development costs. None of the Group's other intangible assets have indefinite useful lives.

15 Property, plant and equipment

£ millions	Land and buildings	Fixtures, fittings and equipment	Total
Cost			
At 1 February 2021	**2,699**	**3,041**	**5,740**
Additions	**55**	**262**	**317**
Disposals	**(2)**	**(43)**	**(45)**
Reclassified to investment property	**(12)**	**(2)**	**(14)**
Transfers to assets held for sale	**(18)**	**–**	**(18)**
Exchange differences	**(126)**	**(72)**	**(198)**
At 31 January 2022	**2,596**	**3,186**	**5,782**
Depreciation			
At 1 February 2021	**(496)**	**(2,169)**	**(2,665)**
Charge for the year	**(35)**	**(153)**	**(188)**
Impairment reversals	**34**	**11**	**45**
Impairment losses	**(18)**	**(6)**	**(24)**
Disposals	**2**	**41**	**43**
Reclassified to investment property	**1**	**–**	**1**
Transfers to assets held for sale	**16**	**–**	**16**
Exchange differences	**23**	**45**	**68**
At 31 January 2022	**(473)**	**(2,231)**	**(2,704)**
Net carrying amount			
At 31 January 2022	**2,123**	**955**	**3,078**
Cost			
At 1 February 2020	2,638	2,903	5,541
Additions	48	178	226
Disposals	(16)	(80)	(96)
Reclassified to investment property	(9)	(6)	(15)
Transfers to assets held for sale	(41)	–	(41)
Exchange differences	79	46	125
At 31 January 2021	2,699	3,041	5,740
Depreciation			
At 1 February 2020	(483)	(2,070)	(2,553)
Charge for the year	(34)	(156)	(190)
Impairment reversals	21	18	39
Impairment losses	(13)	(4)	(17)
Disposals	9	73	82
Reclassified to investment property	–	2	2
Transfers to assets held for sale	21	–	21
Exchange differences	(17)	(32)	(49)
At 31 January 2021	(496)	(2,169)	(2,665)
Net carrying amount			
At 31 January 2021	2,203	872	3,075
Assets in the course of construction included above at net carrying amount			
At 31 January 2022	**17**	**176**	**193**
At 31 January 2021	27	121	148

15 Property, plant and equipment continued

Net impairment reversals of £21m have been recorded in the year (2020/21: £22m). Current year impairment reversals principally relate to store property and equipment assets in the UK and France, resulting from revised future performance projections. The net store impairment reversals of £21m have been recorded as adjusting items.

The cumulative total of capitalised borrowing costs included within property, plant and equipment, net of depreciation, is £16m (2020/21: £17m).

The Group does not revalue properties within its financial statements. A valuation exercise is performed for internal purposes annually in October by independent external valuers. Based on this exercise the value of property is £2.7bn (2020/21: £2.6bn) on a sale and leaseback basis with Kingfisher in occupancy. The key assumption used in calculating this is the estimated yields. Property, plant and equipment market valuations are considered to have been determined by level 3 inputs as defined by the fair value hierarchy of IFRS 13, 'Fair value measurement'. A vacant possession valuation basis is used to approximate the fair value less costs to sell when reviewing for impairment.

Fixtures, fittings and equipment includes items such as store racking, computers and electronic equipment, motor cars and commercial vehicles.

16 Investment property

£ millions	
Cost	
At 1 February 2021	**25**
Reclassified from property, plant & equipment	**14**
At 31 January 2022	**39**
Depreciation	
At 1 February 2021	**(5)**
Reclassified from property, plant & equipment	**(1)**
At 31 January 2022	**(6)**
Net carrying amount	
At 31 January 2022	**33**
Cost	
At 1 February 2020	11
Reclassified from property, plant & equipment	15
Transfers to assets held for sale	(1)
At 31 January 2021	25
Depreciation	
At 1 February 2020	(3)
Reclassified from property, plant & equipment	(2)
At 31 January 2021	(5)
Net carrying amount	
At 31 January 2021	20

17 Leases

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.

Right-of-use assets

£ millions	2021/22	2020/21
Land and buildings	**1,806**	1,759
Fixtures, fittings and equipment	**79**	86
Net carrying amount	**1,885**	1,845

Leased fixtures, fittings and equipment includes items such as mechanical handling equipment and vehicles.

£ millions	2021/22	2020/21
At beginning of year	**1,845**	1,916
Additions[1]	**314**	164
Depreciation charge for the year	**(285)**	(277)
Impairment reversals	**17**	27
Impairment losses	**(5)**	(9)
Other movements	**32**	8
Exchange differences	**(33)**	16
At end of year	**1,885**	1,845

1. Right-of-use asset additions include new leases, lease renewals and increases in term and/or scope for existing leases.

Net right-of-use asset impairment reversals of £12m (2020/21: £18m) have been recorded resulting from revised future store performance projections. The net store impairment reversals of £12m have been recorded as adjusting items.

Amounts included in profit and loss

£ millions	2021/22	2020/21
Short term rentals	**(43)**	(50)
Sublease income	**1**	1
Gain on sale and leasebacks	**–**	13
Depreciation of right-of-use assets		
Property leases	**(246)**	(240)
Equipment leases	**(39)**	(37)
Interest on lease liabilities		
Property leases	**(131)**	(149)
Equipment leases	**(4)**	(4)

17 Leases continued

Amounts recognised in the cash flow statement

£ millions	2021/22	2020/21
Interest element of lease rental payments		
Property leases	**(131)**	(149)
Equipment leases	**(4)**	(4)
Principal element of lease rental payments		
Property leases	**(303)**	(272)
Equipment leases	**(38)**	(37)
Total cash outflow for leases	**(476)**	(462)

Maturity analysis of operating lease receivables

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

£ millions	2021/22	2020/21
Year 1	**4**	4
Year 2	**3**	4
Year 3	**3**	3
Year 4	**2**	3
Year 5	**2**	3
Year 6 and onwards	**11**	12
	25	29

Maturity analysis of finance lease receivables

The following table reconciles the undiscounted sublease rentals receivable under non-cancellable finance leases to the present value of sublease receivables as disclosed as part of trade and other receivables (note 20):

£ millions	2021/22	2020/21
Year 1	**4**	5
Year 2	**5**	5
Year 3	**5**	4
Year 4	**3**	4
Year 5	**2**	3
Year 6 and onwards	**2**	2
Total undiscounted sublease receipts receivable	**21**	23
Unearned finance income	**(4)**	(4)
Sublease receivables	**17**	19

Other lease disclosures

The maturity analysis of lease liabilities has been reflected in note 25 Financial risk management.

Lease arrangements under which rental payments are contingent upon sales, other performance or usage are not significant for the Group.

There are no corporate restrictions imposed by lease arrangements such as those concerning dividends, additional debt and further leasing.

Sale and leaseback transactions

No sale and leaseback transactions were entered into in the current year. During the prior year, the Group sold one property for total proceeds of £38m which was leased back for a lease term of 2 years.

18 Investments in joint ventures and associates

£ millions	2021/22
At 1 February 2021	**20**
Share of post-tax results	**5**
Dividends	**(1)**
Exchange differences	**(7)**
At 31 January 2022	**17**

£ millions	2020/21
At 1 February 2020	16
Share of post-tax results	6
Exchange differences	(2)
At 31 January 2021	20

No goodwill is included in the carrying amount of investments in joint ventures and associates (2020/21: £nil).

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

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

1. The financial statements of these companies are prepared to 31 December.

Aggregate amounts relating to joint ventures and associates:

			2021/22			2020/21
£ millions	**Joint ventures**	**Associates**	**Total**	Joint ventures	Associates	Total
Non-current assets	**8**	**2**	**10**	11	2	13
Current assets	**29**	**42**	**71**	51	50	101
Current liabilities	**(28)**	**(35)**	**(63)**	(48)	(41)	(89)
Non-current liabilities	**–**	**(1)**	**(1)**	(4)	(1)	(5)
Share of net assets	**9**	**8**	**17**	10	10	20
Sales	**110**	**3**	**113**	105	4	109
Operating expenses	**(103)**	**(3)**	**(106)**	(96)	(4)	(100)
Operating profit	**7**	**–**	**7**	9	–	9
Net finance costs	**(2)**	**–**	**(2)**	(2)	–	(2)
Profit before taxation	**5**	**–**	**5**	7	–	7
Income tax expense	**–**	**–**	**–**	(1)	–	(1)
Share of post-tax results	**5**	**–**	**5**	6	–	6

19 Inventories

£ millions	2021/22	2020/21
Finished goods for resale	**2,749**	2,488

The cost of inventories recognised as an expense and included in cost of sales for the year ended 31 January 2022 is £7,401m (2020/21: £7,024m).

20 Trade and other receivables

£ millions	2021/22	2020/21
Non-current		
Prepayments	**8**	6
Sublease receivables	**14**	15
Business disposal consideration receivable	**–**	8
	22	29
Current		
Trade receivables	**71**	62
Allowance for expected credit losses	**(7)**	(6)
Net trade receivables	**64**	56
Property receivables	**3**	3
Sublease receivables	**3**	4
Merchandise returns asset	**11**	11
Prepayments	**67**	60
Rebates due from suppliers	**114**	112
Business disposal consideration receivable	**8**	7
Other receivables	**30**	37
	300	290
Trade and other receivables	**322**	319

The fair values of trade and other receivables approximate to their carrying amounts. Refer to note 25 for further information on the credit risk associated with trade and other receivables.

Other receivables include items related to other taxation and social security.

21 Cash and cash equivalents

£ millions	2021/22	2020/21
Cash at bank and in hand	**441**	437
Other cash and cash equivalents	**382**	705
Cash and cash equivalents	**823**	1,142

Included in cash and cash equivalents is restricted cash of £38m (2020/21: £49m) relating to cash held by the Group's captive insurance company and in virtual captive arrangements.

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

22 Trade and other payables

£ millions	2021/22	2020/21
Current		
Trade payables	**1,352**	1,374
Other taxation and social security	**246**	237
Deferred income	**178**	131
Contract to purchase own shares for cancellation	**69**	–
Liability to purchase own shares for ESOP trust	**9**	–
Merchandise returns provision	**20**	20
Accruals and other payables	**800**	758
	2,674	2,520
Non-current		
Accruals and other payables	**10**	11
Trade and other payables	**2,684**	2,531

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

Included in trade payables are amounts at 31 January 2022 of £193m (2020/21: £174m) due under supply chain finance arrangements with third party banks. Suppliers choose to enter into these arrangements, which provide them with the option of access to earlier payment at favourable interest rates from the third party banks based on Kingfisher's investment grade credit rating. If suppliers do not choose early payment under these arrangements, their invoices are settled by the third party banks in accordance with the originally agreed payment terms. Under certain of these arrangements, Kingfisher has agreed extended payment terms. The total amount outstanding on such extended payment terms at 31 January 2022 is £14m (2020/21: £14m). These arrangements do not provide the Group with a significant benefit of additional financing and accordingly are classified as trade payables.

The contract to purchase own shares relates to a liability arising under an irrevocable closed season buyback of the Company's own shares (see note 29).

Accruals and other payables include items related to goods not for resale, property, capital expenditure, payroll, insurance and interest.

23 Borrowings

£ millions	2021/22	2020/21
Current		
Bank overdrafts	**14**	6
Bank loans	**–**	2
Fixed term debt	**–**	93
	14	101
Non-current		
Bank loans	**2**	2
	2	2
Borrowings	**16**	103

23 Borrowings continued

Bank loans
Non-current bank loans have an average maturity of two years (2020/21: two years) and are arranged at fixed rates of interest with an effective interest rate of 1.0% (2020/21: 0.7%).

Fixed term debt

	Principal outstanding	Maturity date	Coupon	Effective interest rate	**2021/22** Carrying amount £m	2020/21 Carrying amount £m
EUR Term Loan	€50m	21/09/21[1]	6M EURIBOR +47.5bps	0.5%	**–**	43
GBP Term Loan	£50m	13/12/21[2]	6M LIBOR +83bps	1.9%	**–**	50
					–	93

1. €50m swapped to floating rate Sterling based on 6-month LIBOR plus a margin using a cross-currency interest rate swap. Repaid on maturity.
2. £50m term loan repaid on maturity.

As at 31 January 2022, the Group had an undrawn revolving credit facility (RCF) of £550m due to expire in May 2024. The previous facilities (£225m March 2022 and £550m August 2023) were cancelled in June 2021.

The terms of the committed RCF require that the ratio of Group operating profit (excluding adjusting items) to net interest payable (excluding interest on IFRS 16 lease liabilities) must be no less than 3:1 for the preceding 12 months as at the half and full year-ends. At 31 January 2022, Kingfisher's ratio was higher than this requirement.

Fair values

£ millions	Fair value **2021/22**	Fair value 2020/21
Bank overdrafts	**14**	6
Bank loans	**3**	4
Fixed term debt	**–**	95
Borrowings	**17**	105

Fair values of borrowings have been calculated by discounting cash flows at prevailing interest and foreign exchange rates. This has resulted in level 2 inputs as defined by the fair value hierarchy of IFRS 13, 'Fair value measurement'.

24 Derivatives

£ millions	**2021/22**	2020/21
Current assets	**37**	5
Non-current assets	**1**	–
Current liabilities	**(12)**	(59)
Non-current liabilities	**(1)**	(1)
	25	(55)

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

£ millions	**2021/22**	2020/21
Cash flow hedges	**28**	(43)
Non-designated hedges	**(3)**	(12)
	25	(55)

The Group holds the following derivative financial instruments at fair value:

£ millions	**2021/22**	2020/21
Foreign exchange contracts	**38**	5
Derivative assets	**38**	5
Cross currency interest rate swaps	**–**	(1)
Foreign exchange contracts	**(13)**	(59)
Derivative liabilities	**(13)**	(60)
	25	(55)

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', representing significant observable inputs other than quoted prices in active markets for identical assets or liabilities. 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 2022, net financing derivative liabilities included in net debt amount to £3m (2020/21: £12m).

Cash flow hedges
Forward foreign exchange contracts hedge currency exposures of forecast inventory purchases. At 31 January 2022 the Sterling equivalent amount of such contracts is £1,236m (2020/21: £1,215m). These are located in the derivative asset and derivative liability lines in the consolidated balance sheet with carrying amounts of £32m assets and £4m liabilities. The associated fair value gains and losses will be transferred to inventories when the purchases occur during the next 18 months. The amount recognised in other comprehensive income during the year is a gain of £59m (2020/21: £48m loss). Losses of £16m (2020/21: £13m loss) have been transferred to inventories for contracts which matured during the year. There is no ineffectiveness for 2021/22 on these hedges. The weighted average hedged rates for derivatives outstanding at 31 January 2022 for our material currencies are USD/EUR 1.17 and USD/GBP 1.37.

A cross currency interest rate swap contract was in place to hedge the currency exposure of Euro debt. The swap and corresponding Euro debt both matured in September 2021.

Hedge effectiveness is assessed at the inception of the hedge relationship and on an ongoing basis to ensure that an economic relationship exists between the hedged item and the hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness.

For foreign currency inventory purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated or if there are changes in the credit risk of the Group or the derivative counterparty. For cross currency interest rate swaps, hedge ineffectiveness may arise from credit risk of the Group or the derivative counterparty.

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 2022, the Sterling equivalent amount of such contracts is £852m (2020/21: £1,404m). 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.

24 Derivatives continued

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 2022					
Derivative assets	**38**	**–**	**38**	**(13)**	**25**
Derivative liabilities	**(13)**	**–**	**(13)**	**13**	**–**
At 31 January 2021					
Derivative assets	5	–	5	(5)	–
Derivative liabilities	(60)	–	(60)	5	(55)

Net investment hedges
Certain foreign currency denominated lease liabilities are designated as hedging the exposure to movements in the spot retranslation of the Group's investment in foreign subsidiaries. The gains and losses on retranslation of the hedging instruments are presented in the translation reserve within other reserves to offset gains and losses on the hedged balance sheet exposure. The nominal values of these lease liabilities is £166m (2020/21: £192m). The amount recognised in the translation reserve is a loss of £1m (2020/21: £7m loss). There is no ineffectiveness for 2021/22.

25 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 fixed term debt, bank loans and deposits, money market funds, interest rate 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.

Currency risk
The Group's principal currency exposures are to the Euro, US Dollar, Polish Zloty and Romanian Leu. The Euro, Polish Zloty and Romanian Leu exposures are operational and arise through the ownership of retail businesses in France, Spain, Portugal, the Republic of Ireland, Poland and Romania. The Group disposed of its Russian retail business on 30 September 2020.

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's operating companies are required to hedge committed inventory purchases and a proportion of forecast inventory purchases arising in the next 18 months. This is monitored on an ongoing basis.

The Group also has exposure to certain leases denominated in currencies which are different from the functional (reporting) currencies of the lessee. To reduce the Group's exposure to this, most of the affected lease liabilities have been designated as net investment hedges of Group assets held in the same currency.

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 is as follows:

									2021/22
		Sterling		**Euro**		**US Dollar**		**Other**	
£ millions	**Fixed**	**Floating**	**Fixed**	**Floating**	**Fixed**	**Floating**	**Fixed**	**Floating**	**Total**
At 31 January 2022									
Net cash/(debt) before financing derivatives and lease liabilities	**–**	**142**	**(2)**	**179**	**–**	**429**	**–**	**59**	**807**
Financing derivatives	**–**	**(539)**	**–**	**372**	**–**	**136**	**–**	**28**	**(3)**
Lease liabilities	**(1,792)**	**–**	**(548)**	**–**	**–**	**–**	**(36)**	**–**	**(2,376)**
Net (debt)/cash	**(1,792)**	**(397)**	**(550)**	**551**	**–**	**565**	**(36)**	**87**	**(1,572)**

									2020/21
		Sterling		Euro		US Dollar		Other	
£ millions	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Total
At 31 January 2021									
Net cash/(debt) before financing derivatives and lease liabilities	–	316	(3)	140	–	501	–	85	1,039
Financing derivatives	–	(1,029)	–	687	–	87	–	243	(12)
Lease liabilities	(1,789)	–	(598)	–	–	–	(34)	–	(2,421)
Net (debt)/cash	(1,789)	(713)	(601)	827	–	588	(34)	328	(1,394)

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	**2021/22** **Net finance costs income/(costs)**	2020/21 Net finance costs income/(costs)
Effect of 1% rise in interest rates on net finance costs		
Sterling	**(4)**	(7)
Euro	**6**	8
US Dollar	**6**	6
Other	**1**	3

25 Financial risk management continued

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	2021/22 Derivative cash flow hedges increase	2020/21 Derivative cash flow hedges increase
Effect of 10% appreciation in foreign exchange rates on derivative cash flow hedges		
US Dollar against Sterling	**59**	51
US Dollar against Euro	**36**	36
US Dollar against other	**16**	16

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 24 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 2022 and 31 January 2021 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 medium term, determining the level of debt facilities required to fund the business, planning for repayment of debt at its maturity and identifying an appropriate amount of headroom to provide a reserve against unexpected outflows.

At 31 January 2022, the Group had an undrawn revolving credit facility of £550m due to expire in May 2024.

The following table analyses the Group's financial liabilities and derivatives into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. 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.

								2021/22
£ millions	**On demand**	**Less than 1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**More than 5 years**	**Total**
At 31 January 2022								
Bank overdrafts	**(14)**	**–**	**–**	**–**	**–**	**–**	**–**	**(14)**
Trade and other payables[1]	**–**	**(2,230)**	**(10)**	**–**	**–**	**–**	**–**	**(2,240)**
Bank loans	**–**	**(1)**	**(1)**	**(1)**	**–**	**–**	**–**	**(3)**
Lease liabilities	**–**	**(443)**	**(423)**	**(382)**	**(339)**	**(295)**	**(1,203)**	**(3,085)**
Derivative financial liabilities:								
Derivative contracts – receipts	**–**	**954**	**39**	**–**	**–**	**–**	**–**	**993**
Derivative contracts – payments	**–**	**(965)**	**(40)**	**–**	**–**	**–**	**–**	**(1,005)**
Derivative financial assets:								
Derivative contracts – receipts	**–**	**1,606**	**34**	**–**	**–**	**–**	**–**	**1,640**
Derivative contracts – payments	**–**	**(1,573)**	**(34)**	**–**	**–**	**–**	**–**	**(1,607)**

								2020/21
£ millions	On demand	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
At 31 January 2021								
Bank overdrafts	(6)	–	–	–	–	–	–	(6)
Trade and other payables[1]	–	(2,132)	(11)	–	–	–	–	(2,143)
Bank loans	–	(2)	(1)	(1)	–	(1)	–	(5)
Fixed term debt	–	(95)	–	–	–	–	–	(95)
Lease liabilities	–	(456)	(417)	(390)	(346)	(304)	(1,300)	(3,213)
Derivative financial liabilities:								
Derivative contracts – receipts	–	2,155	60	–	–	–	–	2,215
Derivative contracts – payments	–	(2,211)	(61)	–	–	–	–	(2,272)
Derivative financial assets:								
Derivative contracts – receipts	–	438	11	–	–	–	–	449
Derivative contracts – payments	–	(434)	(12)	–	–	–	–	(446)

1. Excluding non-financial items relating to deferred income and merchandise returns provisions and non-contractual items relating to other taxation and social security payables.

25 Financial risk management continued

Credit risk
The Group deposits surplus cash with a number of banks with strong long-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 2022, the highest total cash investment with a single counterparty was £85m (2020/21: £97m).

The Group applies the low credit risk simplification under IFRS 9 for expected credit losses relating to cash at bank, short-term deposits and money market funds. The resulting expected credit losses are not significant.

The Group's exposure to credit risk at the reporting date is the carrying value of trade and other receivables, cash at bank, short-term deposits and the fair value of derivative assets. Trade and other receivables mainly relate to trade receivables and rebates which comprise low individual balances with short maturity spread across a large number of unrelated customers and suppliers, resulting in low credit risk levels. They do not have a significant financing component and therefore the Group has elected to measure expected credit losses using lifetime expected losses.

The estimated lifetime expected losses are based on historical loss rates adjusted where necessary for expected changes in economic conditions.

At 31 January 2022, trade and other receivables that are past due amount to £30m (2020/21: £32m), of which £3m (2020/21: £6m) are over 120 days past due.

Capital risk
Capital risk management disclosures are provided in the Financial Review on page 41.

26 Deferred tax

£ millions	**2021/22**	2020/21
Deferred tax assets	**10**	15
Deferred tax liabilities	**(276)**	(232)
	(266)	(217)

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, and has the legally enforceable right, to settle its current tax assets and liabilities on a net basis.

£ millions	**Accelerated tax depreciation**	**Gains on property**	**Leases**	**Short term timing differences**	**Tax losses**	**Post-employment benefits**	**Investment in subsidiaries**	**Other**	**Total 2021/22**
At 1 February 2021	**(142)**	**(58)**	**111**	**49**	**1**	**(186)**	**(2)**	**10**	**(217)**
(Charge)/credit to income statement	**(37)**	**(5)**	**17**	**(8)**	**–**	**2**	**1**	**–**	**(30)**
Credit/(charge) to equity	**–**	**–**	**–**	**3**	**–**	**(11)**	**–**	**(17)**	**(25)**
Exchange differences	**9**	**2**	**(1)**	**(2)**	**–**	**(2)**	**–**	**–**	**6**
At 31 January 2022	**(170)**	**(61)**	**127**	**42**	**1**	**(197)**	**(1)**	**(7)**	**(266)**

£ millions	Accelerated tax depreciation	Gains on property	Leases	Short term timing differences	Tax losses	Post-employment benefits	Investment in subsidiaries	Other	Total 2020/21
At 1 February 2020	(130)	(56)	110	49	8	(159)	–	1	(177)
(Charge)/credit to income statement	(6)	1	(1)	(3)	(7)	2	(2)	–	(16)
Credit/(charge) to equity	–	–	1	1	–	(31)	–	9	(20)
Exchange differences	(6)	(3)	1	2	–	2	–	–	(4)
At 31 January 2021	(142)	(58)	111	49	1	(186)	(2)	10	(217)

At the balance sheet date, the Group has unused trading tax losses of £218m (2020/21: £231m) available for offset against future profits. A deferred tax asset has been recognised in respect of £1m (2020/21: £1m) of such losses. No deferred tax asset has been recognised in respect of the remaining £217m (2020/21: £230m) due to the unpredictability of future profit streams. Included in this amount there are tax losses arising in Romania of £139m (2020/21: £131m) and Portugal of £13m (2020/21: £15m) which can only be carried forward in the next one to seven and one to twelve years respectively. Other unrecognised losses may be carried forward indefinitely.

At the balance sheet date, the Group also has unused capital tax losses of £13m (2020/21: £15m) available for offset against future capital gains. No deferred tax asset has been recognised in the year in respect of such losses (2020/21: £1m). All of these losses may be carried forward indefinitely.

A deferred tax liability has been recognised in the period reflecting the withholding tax anticipated to arise in light of a planned repatriation of certain earnings that were generated in the current year. Except for this liability, all other unremitted earnings of overseas subsidiaries and joint ventures are continually reinvested by the Group. Therefore, as no tax is expected to be payable on these earnings in the foreseeable future, no deferred tax liabilities are recorded in relation to them. Additional earnings which could be remitted on which there would be tax to pay total £208m (2020/21: £248m).

27 Provisions

£ millions	Onerous property contracts	Restructuring	Total
At 1 February 2021	**7**	**72**	**79**
Releases to income statement	**–**	**(13)**	**(13)**
Utilised in the year	**(1)**	**(28)**	**(29)**
Exchange differences	**–**	**(4)**	**(4)**
At 31 January 2022	**6**	**27**	**33**
Current liabilities	4	19	23
Non-current liabilities	2	8	10
	6	27	33

Onerous property contracts exclude contracts 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 rates and service charges. Rental obligations under onerous property contracts are included within lease liabilities.

Restructuring provisions include both the cost of people change and the cost to exit stores and property contracts.

Restructuring provisions predominately relate to costs in France to restructure the business as part of the Group's legacy transformation and store closure plans. Releases to the income statement in the current year of £13m are principally related to cost savings as compared with the original restructuring provisions recognised. The restructuring provision releases of £13m have been recorded as adjusting items in line with the original classification of the related provision charges.

The ultimate costs and timing of cash flows related to the above provisions are largely dependent on the timing of the related people costs.

The provisions have been discounted to reflect the time value of money and the risks associated with the specific liabilities.

28 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.

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

£ millions	**2021/22**	2020/21
Charge to operating profit	**43**	34

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 are 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, and entering into bulk annuities.

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 2019.

Following this valuation and in accordance with the scheme's Statement of Funding Principles, the Trustee and Kingfisher have agreed annual employer contributions of £27m from April 2019 to July 2024, subject to any changes being agreed with the Trustee. 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. Furthermore, in the ordinary course of business the Trustee has no rights to unilaterally wind up, or otherwise augment the benefits due to members of, the scheme. Based on these rights, any net surplus in the UK scheme is recognised in full.

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 Limited. 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 much 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.

Income statement

			2021/22			2020/21
£ millions	UK	Overseas	Total	UK	Overseas	Total
Amounts charged to operating profit						
Current service cost	3	11	14	2	7	9
Past service cost	–	–	–	1	–	1
Administration costs	3	–	3	3	–	3
	6	11	17	6	7	13
Amounts (credited)/charged to net finance costs						
Net interest (income)/expense	(8)	–	(8)	(7)	1	(6)
Total (credited)/charged to income statement	(2)	11	9	(1)	8	7

28 Post-employment benefits continued

Of the net charge to operating profit, a £14m charge (2020/21: £10m charge) and £3m charge (2020/21: £3m charge) are included in selling and distribution expenses and administrative expenses respectively. Remeasurement gains and losses have been reported in the statement of comprehensive income.

Balance sheet

£ millions	UK	Overseas	2021/22 Total	UK	Overseas	2020/21 Total
Present value of defined benefit obligations	**(2,934)**	**(150)**	**(3,084)**	(3,092)	(165)	(3,257)
Fair value of scheme assets	**3,474**	**20**	**3,494**	3,596	20	3,616
Net surplus/(deficit) in schemes	**540**	**(130)**	**410**	504	(145)	359

Movements in the surplus or deficit are as follows:

£ millions	UK	Overseas	2021/22 Total	UK	Overseas	2020/21 Total
Net surplus/(deficit) in schemes at beginning of year	**504**	**(145)**	**359**	404	(127)	277
Current service cost	**(3)**	**(11)**	**(14)**	(2)	(7)	(9)
Past service cost	**–**	**–**	**–**	(1)	–	(1)
Administration costs	**(3)**	**–**	**(3)**	(3)	–	(3)
Net interest income/(expense)	**8**	**–**	**8**	7	(1)	6
Net remeasurement gains/(losses)	**7**	**14**	**21**	73	(5)	68
Contributions paid by employer	**27**	**3**	**30**	26	3	29
Exchange differences	**–**	**9**	**9**	–	(8)	(8)
Net surplus/(deficit) in schemes at end of year	**540**	**(130)**	**410**	504	(145)	359

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

£ millions	UK	Overseas	2021/22 Total	UK	Overseas	2020/21 Total
Present value of defined benefit obligations at beginning of year	**(3,092)**	**(165)**	**(3,257)**	(3,114)	(147)	(3,261)
Current service cost	**(3)**	**(11)**	**(14)**	(2)	(7)	(9)
Past service cost	**–**	**–**	**–**	(1)	–	(1)
Interest expense	**(45)**	**–**	**(45)**	(49)	(1)	(50)
Remeasurement gains/(losses) – changes in financial assumptions	**111**	**14**	**125**	(71)	(11)	(82)
Remeasurement gains/(losses) – changes in demographic assumptions	**2**	**–**	**2**	(18)	–	(18)
Remeasurement (losses)/gains – experience adjustments	**(39)**	**–**	**(39)**	36	6	42
Benefits paid	**132**	**3**	**135**	127	3	130
Exchange differences	**–**	**9**	**9**	–	(8)	(8)
Present value of defined benefit obligations at end of year	**(2,934)**	**(150)**	**(3,084)**	(3,092)	(165)	(3,257)

The present value of UK scheme defined benefit obligations is 62% (2020/21: 62%) in respect of deferred members and 38% (2020/21: 38%) in respect of current pensioners.

The weighted average duration of the UK scheme obligations at the end of the year is 20 years (2020/21: 20 years).

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

£ millions			2021/22			2020/21
	UK	**Overseas**	**Total**	UK	Overseas	Total
Fair value of scheme assets at beginning of year	**3,596**	**20**	**3,616**	3,518	20	3,538
Administration costs	**(3)**	**–**	**(3)**	(3)	–	(3)
Interest income	**53**	**–**	**53**	56	–	56
Remeasurement (losses)/gains – actual return less interest income	**(67)**	**–**	**(67)**	126	–	126
Contributions paid by employer	**27**	**3**	**30**	26	3	29
Benefits paid	**(132)**	**(3)**	**(135)**	(127)	(3)	(130)
Fair value of scheme assets at end of year	**3,474**	**20**	**3,494**	3,596	20	3,616

The fair value of scheme assets is analysed as follows:

£ millions				2021/22				2020/21
	UK	**Overseas**	**Total**	**% of total**	UK	Overseas	Total	% of total
Government bonds[1]	**849**	**–**	**849**	**24%**	1,762	–	1,762	49%
Corporate bonds	**929**	**–**	**929**	**27%**	944	–	944	26%
Derivatives	**(27)**	**–**	**(27)**	**(1)%**	(32)	–	(32)	(1)%
UK equities	**7**	**–**	**7**	**–**	10	–	10	–
Overseas equities	**118**	**–**	**118**	**4%**	189	–	189	5%
Property	**3**	**–**	**3**	**–**	14	–	14	–
Annuities	**1,181**	**–**	**1,181**	**34%**	380	–	380	11%
Cash and other	**414**	**20**	**434**	**12%**	329	20	349	10%
Total fair value of scheme assets	**3,474**	**20**	**3,494**	**100%**	3,596	20	3,616	100%

1. Including LDI repurchase agreement liabilities.

During the year the UK scheme purchased an annuity for £902m from a major insurance company. This targeted certain pensioner liabilities, removing the longevity risk associated with these members. Measured against the long-term funding objective that has been agreed between Kingfisher and the Trustee, the transaction generated a funding improvement as well as a significant reduction in funding risk. As the cost of the annuity of £902m was greater than the IAS 19 accounting value of the corresponding liabilities, an asset remeasurement loss of £87m has been recorded in other comprehensive income.

All UK scheme assets have quoted prices in active markets, except for £1,262m (2020/21: £612m) of property, annuity and other assets.

To reduce volatility risk a liability driven investment (LDI) strategy forms part of the Trustee's management of the UK defined benefit scheme's assets, including government bonds, corporate bonds and derivatives. The government bond assets category in the table above includes gross assets of £2.1bn (2020/21: £2.9bn) and associated repurchase agreement liabilities of £1.3bn (2020/21: £1.2bn). Repurchase agreements are entered into with counterparties to better offset the scheme's exposure to interest and inflation rates, whilst remaining invested in assets of a similar risk profile. Interest rate and inflation rate derivatives are also employed to complement the use of fixed and index-linked bonds in matching the profile of the scheme's liabilities.

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 £27m, however this is subject to any changes being agreed with the Trustee as part of the 2022 triennial funding valuation exercise.

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.

28 Post-employment benefits continued

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 as that of the scheme liabilities.

	2021/22		2020/21	
Annual % rate	**UK**	**Overseas**	UK	Overseas
Discount rate	**2.2**	**0.8**	1.5	0.3
Price inflation	**3.5**	**2.0**	2.9	2.0
Rate of pension increases	**3.4**	**–**	2.8	–
Salary escalation	**n/a**	**2.4**	n/a	2.4

For the UK scheme, the mortality assumptions used for IAS 19 purposes have been selected with regard to the characteristics and experience of the membership of the scheme as assessed from time to time relating to triennial funding valuations. The base mortality assumptions have been derived using an analysis of current mortality rates carried out by Club Vita for the Trustee and the CMI life expectancy projection model data published by the UK actuarial profession. The latter allowance is in line with CMI 2020 improvements subject to a long-term rate of 1.5% p.a. for both males and females. The assumptions for life expectancy of UK scheme members are as follows:

Years	**2021/22**	2020/21
Age to which current pensioners are expected to live (60 now)		
– Male	**86.4**	86.5
– Female	**87.3**	87.3
Age to which future pensioners are expected to live (60 in 15 years' time)		
– Male	**87.5**	87.6
– Female	**90.2**	90.2

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 0.5%	Decrease/increase by £309m
Price inflation	Increase/decrease by 0.5%	Increase/decrease by £246m
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £234m
Mortality	Increase/decrease in life expectancy by one year	Increase/decrease by £109m

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.

29 Share capital

	Number of ordinary shares millions	Ordinary share capital £ millions
Allotted, called up and fully paid:		
At 1 February 2021	**2,111**	**332**
New shares issued under share schemes	**2**	**–**
Purchase of own shares for cancellation	**(47)**	**(7)**
At 31 January 2022	**2,066**	**325**
At 1 February 2020	2,110	332
New shares issued under share schemes	1	–
At 31 January 2021	2,111	332

Ordinary shares have a par value of $15^{5}/7$ pence per share and carry full voting, dividend and capital distribution rights.

During the year the Group purchased 47 million of the Company's own shares for cancellation at a cost of £157 million as part of its capital returns programme.

30 Other reserves

£ millions	Translation reserve	Cash flow hedge reserve	Other	2021/22 Total
At 1 February 2021	**234**	**(32)**	**159**	**361**
Inventory cash flow hedges – fair value gains	**–**	**59**	**–**	**59**
Tax on items that will not be reclassified subsequently to profit or loss	**–**	**(13)**	**–**	**(13)**
Currency translation differences				
Group	**(218)**	**–**	**–**	**(218)**
Joint ventures and associates	**(7)**	**–**	**–**	**(7)**
Other cash flow hedges				
Fair value gains	**–**	**1**	**–**	**1**
Gains transferred to income statement	**–**	**(1)**	**–**	**(1)**
Other comprehensive (loss)/income for the year	**(225)**	**46**	**–**	**(179)**
Inventory cash flow hedges - losses transferred to inventories	**–**	**16**	**–**	**16**
Tax on equity items	**1**	**(3)**	**–**	**(2)**
At 31 January 2022	**10**	**27**	**159**	**196**

	Translation reserve	Cash flow hedge reserve	Other	2020/21 Total
At 1 February 2020	75	(6)	159	228
Inventory cash flow hedges – fair value losses	–	(48)	–	(48)
Tax on items that will not be reclassified subsequently to profit or loss	–	11	–	11
Currency translation differences				
Group	112	–	–	112
Joint ventures and associates	(2)	–	–	(2)
Transferred to income statement	49	–	–	49
Other cash flow hedges				
Fair value gains	–	5	–	5
Gains transferred to income statement	–	(5)	–	(5)
Other comprehensive income/(loss) for the year	159	(37)	–	122
Inventory cash flow hedges - losses transferred to inventories	–	13	–	13
Tax on equity items	–	(2)	–	(2)
At 31 January 2021	234	(32)	159	361

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

31 Share-based payments

	2021/22		2020/21	
	Number of options thousands	**Weighted average exercise price £**	Number of options thousands	Weighted average exercise price £
Outstanding at beginning of year	**53,298**	**0.55**	51,190	0.60
Granted during the year[1]	**11,561**	**0.88**	12,409	0.58
Forfeited and expired during the year	**(6,854)**	**0.35**	(4,868)	1.50
Exercised during the year	**(7,502)**	**0.74**	(5,433)	0.29
Outstanding at end of year	**50,503**	**0.62**	53,298	0.55
Exercisable at end of year	**4,155**	**0.52**	3,833	0.52

1. The weighted average exercise price for options granted during the year represents a blend of nil price Delivering Value Incentive awards, Alignment Share awards, KISP awards and discounted Sharesave options (see below).

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

Options have been exercised on a regular basis throughout the year. On that basis, the weighted average share price during the year, rather than at the date of exercise, is £3.38 (2020/21: £2.36). The options outstanding at the end of the year have exercise prices ranging from nil to £3.06 and a weighted average remaining contractual life of 5.1 years (2020/21: 5.6 years).

The Group recognised a total expense of £27m in the year ended 31 January 2022 (2020/21: £14m) 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[1] years	Expected volatility[2] %	Dividend yield[3] %	Risk free rate[4] %	Fair value £
Kingfisher Incentive Share Plan –	23/04/15	3.52	–	7	–	–	–	3.52
Deferred Bonus Awards	21/04/16	3.61	–	7	–	–	–	3.61
	03/05/17	3.40	–	7	–	–	–	3.40
	23/04/18	3.09	–	7	–	–	–	3.09
	24/04/19	2.63	–	7	–	–	–	2.63
Long Term Incentive Awards	03/07/14	3.61	–	7	–	–	–	3.61
	15/09/14	3.16	–	7	–	–	–	3.16
UK and International	21/10/14	2.94	2.52	5.5	24.5%	3.4%	1.5%	0.31
Sharesave	01/11/16	3.64	3.06	3.5	22.9%	2.8%	0.4%	0.44
	01/11/16	3.64	3.06	5.5	23.5%	2.8%	0.7%	0.39
	31/10/17	3.13	2.42	3.5	22.8%	3.4%	0.6%	0.43
	31/10/17	3.13	2.42	5.5	22.3%	3.4%	0.8%	0.34
	01/11/18	2.62	2.06	3.5	23.2%	4.1%	1.1%	0.33
	01/11/18	2.62	2.06	5.5	23.0%	4.1%	0.8%	0.27
	01/11/19	2.07	1.59	3.5	25.7%	5.2%	0.4%	0.39
	01/11/19	2.07	1.59	5.5	25.1%	5.2%	0.4%	0.35
	29/10/20	2.88	2.37	3.5	37.0%	2.8%	0.0%	0.80
	29/10/20	2.88	2.37	5.5	32.4%	2.8%	0.0%	0.77
	28/10/21	3.31	2.75	3.5	37.4%	3.6%	0.7%	0.88
	28/10/21	3.31	2.75	5.5	32.6%	3.6%	0.8%	0.82
Alignment Shares	19/07/16	3.32	–	10	–	–	–	3.32
	24/04/17	3.37	–	10	–	–	–	3.37
	23/10/17	3.03	–	10	–	–	–	3.03
	23/04/18	3.09	–	10	–	–	–	3.09
	29/10/18	2.50	–	10	–	–	–	2.50
	24/04/19	2.63	–	10	–	–	–	2.63
	30/07/19	2.23	–	10	–	–	–	2.23
	21/10/19	2.15	–	10	–	–	–	2.15
	28/07/20	2.49	–	10	–	–	–	2.49
	23/10/20	3.20	–	10	–	–	–	3.20
	22/04/21	3.60	–	10	–	–	–	3.60
	21/10/21	3.41	–	10	–	–	–	3.41
Transformation Incentive	19/07/16	3.32	–	10	–	–	–	3.32
Delivering Value Incentive	30/07/19	2.24	–	10	25.6%	–	0.4%	1.75
	04/05/21	3.57	–	10	40.2%	–	0.2%	3.19
1+1 all-colleague Share plan	20/11/20	2.83	–	–	–	–	–	3.72

1. 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. For the Transformation Incentive award and Alignment Share award the expiry date is 10 years from the date of grant. Expiry of the overseas Alignment Share award is 3 years from the date of grant.
2. Expected volatility was determined for each individual award (or relevant components of an 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.
3. As these awards are made under an approved SAYE scheme, option holders cannot be compensated for dividends foregone. As such the historical dividend yield is used, calculated as dividends announced in the 12 months prior to grant as a percentage of the share price on the date of grant.
4. Risk free rate was determined for each individual award (or relevant components of an award).

32 Cash generated by operations

£ millions	2021/22	2020/21
Operating profit	**1,144**	916
Share of post-tax results of joint ventures and associates	**(5)**	(6)
Depreciation and amortisation	**555**	536
Net impairment gains	**(31)**	(7)
Loss/(gain) on disposal of property, plant and equipment, investment property, assets held for sale and intangible assets	**1**	(10)
Loss on disposal of subsidiaries	**–**	49
Lease gains	**(1)**	–
Share-based compensation charge	**27**	14
(Increase)/decrease in inventories	**(359)**	86
(Increase)/decrease in trade and other receivables	**(23)**	17
Increase in trade and other payables	**158**	267
Movement in provisions	**(42)**	(30)
Movement in post-employment benefits	**(13)**	(16)
Cash generated by operations	**1,411**	1,816

33 Net debt

£ millions	2021/22	2020/21
Cash and cash equivalents	**823**	1,142
Bank overdrafts	**(14)**	(6)
Cash and cash equivalents and bank overdrafts	**809**	1,136
Bank loans	**(2)**	(4)
Fixed term debt	**–**	(93)
Net financing derivatives	**(3)**	(12)
Lease liabilities	**(2,376)**	(2,421)
Net debt	**(1,572)**	(1,394)

£ millions	2021/22	2020/21
Net debt at beginning of year	**(1,394)**	(2,526)
Net (decrease)/increase in cash and cash equivalents and bank overdrafts	**(237)**	881
Repayment of bank loans	**2**	1
Issue of fixed term debt	**–**	(1,950)
Repayment of fixed term debt	**95**	2,011
Receipt on financing derivatives	**–**	(1)
Net cashflow[1]	**(140)**	942
Movements in lease liabilities (excluding lease liabilities disposed)	**7**	136
Lease liabilities disposed	**–**	27
Exchange differences and other non-cash movements	**(45)**	27
Net debt at end of year	**(1,572)**	(1,394)

1. Refer to the glossary for the definition of net cashflow.

£ millions	Borrowings (excluding bank overdrafts)	Net financing derivative liabilities	Lease liabilities	Total financing liabilities
				2021/22
At 1 February 2021	**(97)**	**(12)**	**(2,421)**	**(2,530)**
Repayment of bank loans	**2**	**–**	**–**	**2**
Repayment of fixed term debt	**95**	**–**	**–**	**95**
Lease rental payments	**–**	**–**	**476**	**476**
Interest paid	**1**	**7**	**–**	**8**
Cash outflow relating to financing liabilities	**98**	**7**	**476**	**581**
Interest charge	**(1)**	**(7)**	**(135)**	**(143)**
Lease liability additions	**–**	**–**	**(303)**	**(303)**
Other movements in lease liabilities	**–**	**–**	**(31)**	**(31)**
Amortisation of issue costs	**(2)**	**–**	**–**	**(2)**
Fair value movements and exchange differences	**–**	**9**	**38**	**47**
At 31 January 2022	**(2)**	**(3)**	**(2,376)**	**(2,381)**

£ millions	Borrowings (excluding bank overdrafts)	Net financing derivative liabilities	Lease liabilities	Total financing liabilities
				2020/21[1]
At 1 February 2020	(136)	(22)	(2,563)	(2,721)
Repayment of bank loans	1	–	–	1
Issue of fixed term debt	(1,950)	–	–	(1,950)
Repayment of fixed term debt	2,011	–	–	2,011
Receipt on financing derivatives	–	(1)	–	(1)
Lease rental payments	–	–	462	462
Interest paid	11	13	–	24
Cash outflow relating to financing liabilities	73	12	462	547
Interest charge	(11)	(13)	(153)	(177)
Lease liability additions	–	–	(164)	(164)
Lease liabilities disposed	–	–	27	27
Other movements in lease liabilities	–	–	(9)	(9)
Amortisation of issue costs	(3)	–	–	(3)
Fair value movements and exchange differences	(20)	11	(21)	(30)
At 31 January 2021	(97)	(12)	(2,421)	(2,530)

1. This table has been re-presented to reflect interest accrued and paid on net financing derivative liabilities.

The Group repaid its €50m and £50m fixed term loans at maturity in September 2021 and December 2021 respectively.

During the prior year the Group repaid a €50m Medium Term Note at its maturity and drew down on and repaid in full the following funds:

- £600m of commercial paper under the Bank of England's Covid Corporate Financing Facility;
- €600m term facility with three French banks guaranteed at 80% by the French State (Prêt garanti par l'État);
- £775m of the Group's revolving credit facilities; and
- €50m of temporary borrowing.

34 Acquisitions

There were no acquisitions in the current financial year.

In the prior year, the Group completed the acquisition of NeedHelp (We Share Trust SAS), one of Europe's leading home improvement services marketplaces, for a purchase price of £9m (before cash acquired of £1m). As part of the transaction, the founder of NeedHelp reinvested proceeds from the sale in a 20% interest in the business, resulting in Kingfisher owning 80%.

NeedHelp is an innovative B2B2C online platform that connects customers who need home improvement help, either in-store or online, with vetted professional tradespeople and other skilled experts. Goodwill of £9m was recognised on acquisition of the business, with the acquisition representing an important step forward for one of the Group's key priorities under its 'Powered by Kingfisher' strategy: to build a mobile-first and service-orientated customer experience.

35 Disposals

There were no disposals in the current financial year.

In the prior year, the Group disposed of its 100% interest in the Castorama Russia (Castorama RUS LLC) business to Maxidom for a gross consideration of £72m, of which £57m was received on disposal, with the remaining £15m to be received in equal instalments over the subsequent two years. The first instalment of £7m was received in September 2021. Castorama Russia was not classified as a discontinued operation as it did not represent a major operation for the Group.

The impact of the disposal on the current and prior year financial statements is set out below:

Income statement

£ millions	**2021/22**	2020/21
Proceeds	–	72
Net assets disposed	–	(63)
Transactions costs, warranties and indemnities	–	(9)
Loss on disposal before cumulative exchange losses	–	–
Cumulative exchange losses transferred from translation reserve	–	(49)
Adjusting loss on disposal	–	(49)

Cashflow statement

£ millions	**2021/22**	2020/21
Cash proceeds	**7**	57
Cash disposed	–	(27)
Transaction costs paid	–	(3)
Net disposal proceeds received	**7**	27

36 Commitments

Capital commitments contracted but not provided for by the Group at 31 January 2022 amount to £31m (2020/21: £38m).

37 Contingent liabilities

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.

The Group files tax returns in many jurisdictions around the world and at any one time is subject to periodic tax audits in the ordinary course of its business. Applicable tax laws and regulations are subject to differing interpretations and the resolution of a final tax position can take several years to complete. Where it is considered that future tax liabilities are more likely than not to arise, an appropriate provision is recognised in the financial statements.

In October 2017, the European Commission opened a state aid investigation into the Group Financing Exemption section of the UK controlled foreign company rules. While the Group has complied with the requirements of UK tax law in force at the time, in April 2019 the European Commission concluded that aspects of the UK controlled foreign company regime partially constitute state aid. The UK Government and the Group, along with other UK-based international companies, have appealed the European Commission decision to the European Courts.

Notwithstanding these appeals, under EU law, the UK government is required to commence collection proceedings. In January 2021, the Group received a charging notice from HM Revenue & Customs (HMRC) for £57m, which was paid in February 2021, with a further £7m interest paid in April 2021.

The final impact on the Group remains uncertain but based upon advice taken, the Group considers that the amount paid of £64m, which is included in non-current assets, will ultimately be recovered.

Whilst the procedures that must be followed to resolve these types of tax issues make it likely that it will be some years before the eventual outcome is known, the Group does not currently expect the outcome of these contingent liabilities to have a material effect on the Group's financial position.

38 Related party transactions

During the year, the Group 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:

	2021/22		2020/21	
£ millions	**Income**	**Receivable**	Income	Receivable
Transactions with Koçtaş Yapi Marketleri Ticaret A.S. in which the Group holds a 50% interest				
Commission and other income	**0.2**	**–**	0.2	–
Transactions with Crealfi S.A. in which the Group holds a 49% interest				
Provision of employee services	**0.2**	**–**	0.2	–
Commission and other income	**4.9**	**0.1**	4.8	0.2
Transactions with the Kingfisher Pension Scheme				
Provision of administrative services	**0.8**	**0.3**	0.7	0.3

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 9.

Other transactions with the Kingfisher Pension Scheme are detailed in note 28.

39 Post balance sheet events

During the period since the balance sheet date, the Group purchased 22 million of the Company's own shares for cancellation at a cost of £69m. This amount was deducted from equity in 2021/22 as a result of an irrevocable closed season buyback agreement which was in place at 31 January 2022.

In February 2022, a payment of €40m was made to the French tax authorities relating to a historic tax liability. This amount was fully provided for at the balance sheet date.

In light of the events in Russia and Ukraine, note that the Group has no material balance sheet exposures to Russia and/or the Russian Rouble following the disposal of the Castorama Russia business in September 2020.

Company balance sheet

At 31 January 2022

£ millions	Notes	2021/22	2020/21
Non-current assets			
Right-of-use assets	4	**1**	2
Investment in subsidiary	5	**6,830**	6,822
Post-employment benefits	11	**20**	19
		6,851	6,843
Current assets			
Trade and other receivables	6	**5,433**	6,183
Derivative assets	9	**5**	3
Current tax assets		**59**	62
Cash and cash equivalents		**194**	333
		5,691	6,581
Total assets		**12,542**	13,424
Current liabilities			
Trade and other payables	7	**(6,834)**	(7,091)
Borrowings	8	**–**	(93)
Lease liabilities	4	**(1)**	(3)
Derivative liabilities	9	**(9)**	(16)
Provisions	10	**(2)**	–
		(6,846)	(7,203)
Non-current liabilities			
Lease liabilities	4	**–**	(1)
Deferred tax liabilities		**–**	(3)
Provisions	10	**–**	(2)
		–	(6)
Total liabilities		**(6,846)**	(7,209)
Net assets		**5,696**	6,215
Equity			
Share capital	12	**325**	332
Share premium		**2,228**	2,228
Own shares held in ESOP trust		**(46)**	(23)
Retained earnings		**2,428**	2,924
Capital redemption reserve		**50**	43
Other reserves		**711**	711
Total equity		**5,696**	6,215

The Company's loss for the year was £34m (2020/21: loss of £10m).

The financial statements of Kingfisher plc (company number 01664812) were approved by the Board of Directors on 21 March 2022 and signed on its behalf by:

Thierry Garnier
Chief Executive Officer

Bernard Bot
Chief Financial Officer

Company statement of changes in equity

Year ended 31 January 2022

£ millions	Notes	Share capital	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves[1]	Total equity
								2021/22
At 1 February 2021		**332**	**2,228**	**(23)**	**2,924**	**43**	**711**	**6,215**
Loss for the year		**–**	**–**	**–**	**(34)**	**–**	**–**	**(34)**
Other comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive loss for the year		**–**	**–**	**–**	**(34)**	**–**	**–**	**(34)**
Share-based compensation	13	**–**	**–**	**–**	**7**	**–**	**–**	**7**
Capital contributions given relating to share-based payments		**–**	**–**	**–**	**20**	**–**	**–**	**20**
New shares issued under share schemes		**–**	**–**	**–**	**5**	**–**	**–**	**5**
Own shares issued under share schemes		**–**	**–**	**15**	**(15)**	**–**	**–**	**–**
Purchase of own shares for cancellation		**(7)**	**–**	**–**	**(226)**	**7**	**–**	**(226)**
Purchase of own shares for ESOP trust		**–**	**–**	**(38)**	**–**	**–**	**–**	**(38)**
Dividends		**–**	**–**	**–**	**(254)**	**–**	**–**	**(254)**
Tax on equity items		**–**	**–**	**–**	**1**	**–**	**–**	**1**
At 31 January 2022		**325**	**2,228**	**(46)**	**2,428**	**50**	**711**	**5,696**

£ millions	Notes	Share capital	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves[1]	Total equity
								2020/21
At 1 February 2020		332	2,228	(23)	2,933	43	711	6,224
Loss for the year		–	–	–	(10)	–	–	(10)
Other comprehensive income for the year		–	–	–	1	–	–	1
Total comprehensive income for the year		–	–	–	(9)	–	–	(9)
Share-based compensation	13	–	–	–	2	–	–	2
Capital contributions given relating to share-based payments		–	–	–	12	–	–	12
New shares issued under share schemes		–	–	–	1	–	–	1
Own shares issued under share schemes		–	–	14	(14)	–	–	–
Purchase of own shares for ESOP trust		–	–	(14)	–	–	–	(14)
Tax on equity items		–	–	–	(1)	–	–	(1)
At 31 January 2021		332	2,228	(23)	2,924	43	711	6,215

1. The other reserves represent the premium on the issue of convertible loan stock in 1993 and the merger reserve relating to the acquisition of Darty in 1993.

Notes to the Company financial statements

1 General information

The Company is a public company limited by shares and incorporated in England and Wales. The Company is non-trading and is the ultimate parent of the Kingfisher plc group ('the Group'). The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 54.

The Company is incorporated in England and Wales, 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 full list of related undertakings of the Company and their registered offices is given in note 15.

2 Principal accounting policies

The financial statements of Kingfisher plc ('the Company') are for the year ended 31 January 2022 ('the year' or '2021/22') and were authorised for issue by the Board of Directors on 21 March 2022. The comparative financial year is the year ended 31 January 2021 ('the prior year' or '2020/21').

The directors of Kingfisher plc consider that adequate resources exist for the Company to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis in preparing the financial statements for the year ended 31 January 2022. Refer to note 2a of the consolidated financial statements for details of the Directors' assessment.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 and as such these financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') and the provisions of the Companies Act 2006. 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 post-employment benefits.

As permitted by section 408 of the Companies Act 2006, the income statement of the Company has not been presented.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payment';
- the requirements of IFRS 7 'Financial Instruments: Disclosures';
- the requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement';
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 'Presentation of Financial Statements';
- the requirements of IAS 7 'Statement of Cash Flows';
- the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Error';
- the requirements of paragraphs 17 and 18A of IAS 24 'Related Party Disclosures';
- the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets'.

Where required, equivalent disclosures are given in the consolidated financial statements of Kingfisher plc.

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, except for the new policy on shares purchased for cancellation (see i. Share repurchases).

Changes to accounting policies as a result of new standards issued and effective

Changes to accounting policies as a result of new standards issued and effective do not have a material impact on the Company's financial statements.

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 income statement.

Principal rates of exchange against Sterling:

	2021/22	2020/21
	Year end rate	Year end rate
Euro	**1.20**	1.13
Polish Zloty	**5.49**	5.11

The financial statements are presented in Sterling, which is the Company's presentation currency and the currency of the primary economic environment in which the entity operates (i.e. its functional currency).

b. Leased assets

The Company assesses whether a contract is or contains a lease at inception of the contract. Typically, lease contracts relate to properties such as the Company's Head Office. For leases in which the Company is a lessee, the Company recognises a right-of-use asset and a lease liability, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The liability is initially measured at the present value of the lease payments not yet paid at the commencement date, discounted at an appropriate discount rate. Where the implicit rate in the lease is not readily determinable, an incremental borrowing rate is calculated and applied. The calculation methodology is based upon applying a financing spread to a risk-free rate, with the resulting rate including the effect of the creditworthiness of the Company, as well as the underlying term, currency and start date of the lease agreement.

Lease payments used in the measurement of the lease liability principally comprise fixed lease payments (subject to indexation/ rent reviews) less any incentives. The lease liability is subsequently measured using an effective interest method whereby the carrying amount of the lease liability is measured on an amortised cost basis, and the interest expense is allocated over the lease term. The lease term comprises the non-cancellable lease term, in addition to optional periods when the Company is reasonably certain to exercise an option to extend (or not to terminate) a lease.

The Company remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever an event occurs that changes the term or payment profile of a lease, such as the renewal of an existing lease, the exercise of lease term options, market rent reviews and indexation.

The right-of-use assets are initially measured at the amount equal to the lease liability, adjusted by any upfront lease payments or incentives and any initial direct costs incurred. Subsequently, the assets are measured at cost less accumulated depreciation and impairment losses.

Lessor accounting

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

c. Investments

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

d. Employee benefits

(i) Post-employment benefits

The Company operates defined benefit and defined contribution pension schemes for its employees. 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 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 held under trusts 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. 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.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to other comprehensive income as they arise.

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

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 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.

e. Taxation

The tax currently payable or receivable is based on taxable profit or loss 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.

2 Principal accounting policies continued

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 assets and liabilities are not generally 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 Company 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.

f. 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.

A provision is recorded if the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it. The unavoidable costs reflect the net cost of exiting the contract.

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.

g. 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.

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.

The Company has a number of interest-bearing current accounts with its group entities. These accounts are denominated in Sterling and Euro and have been transitioned to SONIA and ESTR respectively. No other terms were amended as part of the transition. The Company accounted for the change to SONIA and ESTR from LIBOR and EONIA respectively using the practical expedient introduced by the Phase 2 amendments, which allows the Company to change the basis for determining the contractual cash flows prospectively by revising the effective interest rate.

(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 fair value (which is typically equivalent to 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) Trade receivables

Trade receivables are initially recognised at their transaction price and are subsequently measured at amortised cost less any allowance for expected credit losses.

(iv) Trade payables

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

(v) 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.

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 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 income statement.

In order to qualify for hedge accounting, the Company documents in advance the risk management objective and strategy for undertaking the hedge and 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 will be highly effective on an ongoing basis and provides an analysis of the sources of hedge ineffectiveness. The effectiveness testing is performed at half year and year end or upon a significant change in circumstances affecting the hedge effectiveness requirements.

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 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 deferred in equity is transferred to the income statement.

h. 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.

i. Share repurchases

Shares purchased for cancellation are deducted from retained earnings. The Group uses irrevocable closed period buyback programmes. A liability to purchase shares is recognised at inception of the programme with any subsequent reduction in the obligation credited back to retained earnings at the end of the programme. Share capital is reduced and credited to the capital redemption reserve, maintaining non-distributable reserves.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Company financial statements requires the Company 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 significant judgements applied in the preparation of the financial statements, along with estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below.

No critical accounting judgements were applied to the year ended 31 January 2021 or the year ended 31 January 2022.

Key sources of estimation uncertainty

Post-employment benefits

The present value of the defined benefit liabilities recognised on the balance sheet is dependent on a number of market rates and 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 and the net deficit or surplus position. The market rates and assumptions are based on the conditions at the time and changes in these can lead to significant movements in the estimated obligations. To help the reader understand the impact of changes in the key market rates and assumptions, a sensitivity analysis is provided in note 11.

3 Income statement disclosures

The audit fee for the Company and the consolidated financial statements is disclosed in note 8 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 pages 71 to 74.

Dividend disclosures are provided in note 12 to the Kingfisher plc consolidated financial statements.

£ millions	**2021/22**	2020/21
Wages and salaries	**29**	23
Social security costs	**6**	5
Post-employment benefits – defined contribution	**2**	2
Share-based compensation	**7**	2
Employee benefit expenses	**44**	32

Number	**2021/22**	2020/21
Average number of persons employed		
Administration	**243**	232

Directors' remuneration and details of share option exercises are disclosed in the Directors' Remuneration Report on pages 75 to 104. Total Directors' remuneration for the year is £3m (2020/21: £3m).

As permitted by s408 of Companies Act 2006, no separate income statement or statement of comprehensive income is presented in respect of the parent Company. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet.

4 Leases

The Company is a lessee and intermediate lessor of office space.

Right-of-use assets

£ millions	**2021/22**	2020/21
Land and buildings	**1**	2
Net carrying amount	**1**	2

Additions to right-of-use assets during the year were £nil (2020/21: £nil).

Amounts included in profit and loss

£ millions	**2021/22**	2020/21
Depreciation of right-of-use assets		
Land and buildings	**(2)**	(2)

Other lease disclosures

Lease arrangements under which rental payments are contingent upon sales, other performance or usage are not significant for the Company.

There are no corporate restrictions imposed by lease arrangements such as those concerning dividends, additional debt and further leasing.

Lease liabilities

£ millions	**2021/22**	2020/21
Current	**1**	3
Non-current	**–**	1
	1	4

5 Investments

£ millions	Investment in subsidiary
At 1 February 2021	**6,822**
Capital contributions given relating to share-based payments	**20**
Contributions received relating to share-based payments	**(12)**
At 31 January 2022	**6,830**

The more significant subsidiary undertakings of the Company at 31 January 2022 and the ultimate percentage holding are set out below. For a full list of subsidiaries and related undertakings, see note 15.

	Country of incorporation and operation	% interest held and voting rights	Class of share owned	Main activity
B&Q Limited	United Kingdom	100%	Ordinary & Special[1]	Retailing
B&Q Properties Limited	United Kingdom	100%	Ordinary	Property investment
Halcyon Finance Limited	United Kingdom	100%	Ordinary	Financing
Kingfisher Digital Limited	United Kingdom	100%	Ordinary	Digital services
Kingfisher Holdings Limited	United Kingdom	100%	Ordinary	Holding company
Kingfisher International Products Limited	United Kingdom	100%	Ordinary	Sourcing and franchising
Kingfisher Information Technology Services (UK) Limited	United Kingdom	100%	Ordinary	IT services
Screwfix Direct Limited	United Kingdom	100%	Ordinary	Retailing
Sheldon Holdings Limited	United Kingdom	100%	Ordinary	Holding company
Zeus Land Investments Limited	United Kingdom	100%	Ordinary	Holding company
B&Q Ireland Limited	Ireland	100%	Ordinary	Retailing
Brico Dépôt S.A.S	France	100%	Ordinary	Retailing
Castorama France S.A.S	France	100%	Ordinary	Retailing
Euro Dépôt Immobilier S.A.S	France	100%	Ordinary	Property investment
Kingfisher Investissements S.A.S	France	100%	Ordinary	Holding company
L'Immobiliere Castorama S.A.S	France	100%	Ordinary	Property investment
Screwfix S.A.S.	France	100%	Ordinary	Retailing
We Share Trust S.A.S[2]	France	80%	Ordinary	Services marketplace
Kingfisher Asia Limited	Hong Kong	100%	Ordinary	Sourcing
Castim Sp. z o.o.	Poland	100%	Ordinary	Property investment
Castorama Polska Sp. z o.o.	Poland	100%	Ordinary	Retailing
Brico Depot Portugal, S.A.	Portugal	100%	Ordinary	Retailing
Bricostore Romania S.A.	Romania	100%	Ordinary	Retailing
Euro Depot España SAU	Spain	100%	Ordinary	Retailing

1. The special shares in B&Q Limited are owned 100% by Kingfisher plc and are non-voting.
2. This company prepares its financial statements to 31 December.

At each reporting date an assessment is performed as to whether there are any indicators that the Company's investments may be impaired and, should such indicators exist, the recoverable amounts are estimated.

Impairment reviews have been performed for the Company's investments with no resulting impairments. 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 amount of the Company's investments to exceed their recoverable amounts. See note 13 to the consolidated financial statements for further details on the assumptions used.

6 Trade and other receivables

£ millions	**2021/22**	2020/21
Current		
Owed by Group undertakings	**5,433**	6,183
	5,433	6,183

Amounts owed by Group undertakings are repayable on demand and any interest due thereon is at current market rates. The amounts owed are not secured with collateral or guarantees. The Company had intercompany term loan receivables from other Group undertakings of £304m and £1,817m. Both intercompany loans matured on 21 January 2022, were rolled over for a further three months and repriced to SONIA plus margin.

7 Trade and other payables

£ millions	**2021/22**	2020/21
Current		
Owed to Group undertakings	**6,716**	7,055
Other taxation and social security	**5**	3
Contract to purchase own shares for cancellation	**69**	–
Liability to purchase own shares for ESOP trust	**9**	–
Accruals and other payables	**35**	33
	6,834	7,091

Amounts owed to Group undertakings are repayable on demand and any interest due thereon is at current market rates.

8 Borrowings

£ millions	**2021/22**	2020/21
Current		
Fixed term debt	**–**	93
	–	93

The fixed term debt represents a EUR50m term loan and a GBP50m term loan which were repaid in the year.

In the prior year the Company confirmed its eligibility under the Bank of England's Covid Corporate Financing Facility ('CCFF') scheme and on 12 June 2020 issued 11-month Commercial Paper for £600m under this programme, the maximum amount under its allocated issuer limit. These funds were fully repaid on 23 July 2020.

See notes 23 and 33 to the consolidated financial statements for further details.

9 Derivatives

The fair value of derivatives at the balance sheet date is:

£ millions	2021/22	2020/21
Foreign exchange contracts	5	3
Derivative assets	5	3
Cross currency interest rate swaps	–	(1)
Foreign exchange contracts	(9)	(15)
Derivative liabilities	(9)	(16)

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. Further details are given in note 24 to the consolidated financial statements.

10 Provisions

£ millions	Onerous property contracts
At 1 February 2021	2
At 31 January 2022	2
Current liabilities	2
Non-current liabilities	–
	2

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 rates and service charges.

11 Post-employment benefits

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	2021/22	2020/21
Charge to operating profit	2	2

From July 2012, an enhanced defined contribution scheme was 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 Group's policy is for each entity to recognise its share of assets and liabilities based on the proportion of the scheme contributions paid by that entity. See note 28 to the consolidated financial statements for further detail on the Kingfisher Pension Scheme. The valuation of the scheme has been based on the most recent actuarial valuation as at 31 March 2019 and has been updated to 31 January 2022.

The final salary pension scheme was closed to future benefit accrual with effect from July 2012.

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. Furthermore, in the ordinary course of business the Trustee has no rights to unilaterally wind up, or otherwise augment the benefits due to members of, the scheme. Based on these rights, any net surplus in the scheme is recognised in full.

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 28 to the consolidated financial statements. The reported pension position reflects the Company's share of the resulting scheme asset.

11 Post-employment benefits continued

Balance sheet

Movements in the present value of the defined benefit obligation and the fair value of scheme assets are as follows:

£ millions	Defined benefit obligation	Scheme assets	Total
At 1 February 2021	**(91)**	**110**	**19**
Interest (expense)/income	**(1)**	**1**	**–**
Remeasurement gains/(losses)[1]	**2**	**(2)**	**–**
Contributions paid by employer	**–**	**1**	**1**
Benefits paid	**4**	**(4)**	**–**
At 31 January 2022	**(86)**	**106**	**20**
At 1 February 2020	(92)	109	17
Interest (expense)/income	(1)	1	–
Remeasurement (losses)/gains[1]	(2)	3	1
Contributions paid by employer	–	1	1
Benefits paid	4	(4)	–
At 31 January 2021	(91)	110	19

1. Representing the total amounts recognised in other comprehensive income for the year.

The fair value of scheme assets is analysed as follows:

£ millions	2021/22	2020/21
Equities	**3**	6
Government and corporate bonds	**52**	79
Annuities	**35**	11
Cash and other	**16**	14
Total fair value of scheme assets	**106**	110

During the year the UK scheme purchased an annuity for £902m from a major insurance company. This targeted certain pensioner liabilities, removing the longevity risk associated with these members. Further details are provided in note 28 of the consolidated financial statements.

The following sensitivity analysis for the 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 0.5%	Decrease/increase by £9m
Price inflation	Increase/decrease by 0.5%	Increase/decrease by £7m
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £7m
Mortality	Increase/decrease in life expectancy by one year	Increase/decrease by £3m

12 Called up share capital

	Number of ordinary shares millions	Ordinary share capital £ millions
Allotted, called up and fully paid:		
At 1 February 2021	**2,111**	**332**
New shares issued under share schemes	**2**	**–**
Purchase of own shares for cancellation	**(47)**	**(7)**
At 31 January 2022	**2,066**	**325**

Ordinary shares have a par value of 15$\frac{5}{7}$ pence per share, and have attached to them full voting, dividend and capital distribution rights.

13 Share-based payments

The Company operates a number of share incentive plans including the Kingfisher Alignment Share and Transformation Incentive Plan ('KASTIP'), Kingfisher Incentive Share Plan ('KISP'), Long Term Incentive Plan ('LTIP') and Sharesave plans in the UK and Ireland, and the '1+1' all-colleague share plan across each of our territories

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 £3.38 (2020/21: £2.36). The options outstanding at the end of the year have exercise prices ranging from nil to £3.06 and a weighted average remaining contractual life of 6.9 years (2020/21: 7.4 years).

In the current year the Company recognised a total expense of £7m (2020/21: £2m) relating to equity-settled share-based payment transactions.

The Executive Directors' awards are disclosed in the Directors' Remuneration Report on pages 75 to 104. The KASTIP awards are described as part of the Directors' Remuneration Report.

Under the KISP, share awards are deferred for three years. The awards were granted as nil cost options. Vesting dates may vary according to individual grants.

LTIP was granted annually based on performance over a three-year period. Performance conditions were based on 50% EPS and 50% Kingfisher Economic Profit ('KEP'). The awards were granted as nil cost options, and only accrue dividends after they vest. Vesting dates varied according to individual grants.

13 Share-based payments continued

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 Sharesave plan, which operates along similar lines to the UK Sharesave scheme, includes eligible employees in the Republic of Ireland.

The 1+1 share plan provided all our colleagues with the opportunity to purchase shares up to a specified maximum total contribution. Following a holding period of one year, Kingfisher matches each participant's investment (awarding one free share for every share bought) up to the specified maximum.

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 £98m (2020/21: £74m) to enable it to acquire shares in Kingfisher plc. The shares are used to satisfy options awarded under the Delivering Value Incentive award, Transformation Incentive Award, Alignment Share award, KISP, LTIP and 1+1 share plan.

The ESOP trust's shareholding at 31 January 2022 is 14 million shares (2020/21: 8 million shares) with a nominal value of £2m (2020/21: £1m) and a market value of £46m (2020/21: £23m). Dividends on these shares were waived for the interim and final dividends.

14 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:

	2021/22		2020/21	
£ millions	**Income**	**Receivable**	Income	Receivable
Transactions with Koçtaş Yapi Marketleri Ticaret A.S. in which the Kingfisher plc Group holds a 50% interest				
Commission and other income	**0.2**	**–**	0.2	–
Transactions with the Kingfisher Pension Scheme				
Provision of administrative services	**0.8**	**0.3**	0.7	0.3

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 75 to 104. Other transactions with the Kingfisher Pension Scheme are detailed in note 11.

15 Related undertakings of the Group

In accordance with Section 409 of the Companies Act 2006, a full list of related undertakings as at 31 January 2022, the address of their registered office and their country of incorporation is shown below. The entire issued share capital is held within the Group except where otherwise shown.

Subsidiary undertakings

All subsidiary undertakings, unless otherwise noted, are consolidated in the Group's financial statements, have only one class of share in issue (being ordinary shares), and have all their shares held by companies within the Group other than the Company (Kingfisher plc). The undertakings denoted with an asterisk (*) are charitable entities/partnerships.

ADSR-Real Estate S.A.S.[1]
Alcedo Finance Limited[2]
B&Q (Retail) Guernsey Limited[3]
B&Q (Retail) Jersey Limited[4]
B&Q Foundation[5, *]
B&Q Ireland Limited[6]
B&Q Limited[a, 5]
B&Q Properties Chesterfield Limited[5]
B&Q Properties Chestnut Retail Park Limited[5]
B&Q Properties Farnborough Limited[5]
B&Q Properties Investments Limited[7]
B&Q Properties Limited[5]
B&Q Properties New Malden Limited[5]
B&Q Properties Nursling Limited[5]
B&Q Properties South Shields Limited[5]
B&Q Properties Sutton-in-Ashfield Limited[5]
B&Q Properties Swindon Limited[5]
B&Q Properties Witney Limited[5]
B&Q Properties Wrexham Limited[5]
Bargain Bob's Limited[8]
Brico Depot Portugal, S.A.[10]
Brico Dépôt S.A.S.[11]
Bricostore Romania S.A.[9]
Castim Sp. z o.o.[12]
Castorama Polska Sp. z o.o[12]
Castorama France S.A.S.[13]
Dickens Limited[5]
Eijsvogel Finance Limited[2]
Electricfix Limited[8]
Euro Depot España SAU[14]
Euro Dépôt Immobilier S.A.S.[11]
Fondation de France*
Fundacja Castorama GoodHome[12, *]
Fundatia Brico Depot CIO[9, *]
Geared Up Limited[8]
Good Home Products Limited[2]
Halcyon Finance Limited[2]
KF7 S.A.S.[1]
KFL8 S.A.S.[1]
KFS Sp. z o.o.[12]
Kingfisher (Shanghai) Sourcing Consultancy Co. Ltd[15]
Kingfisher Asia Limited[16]
Kingfisher Développement S.A.S.[1]
Kingfisher Digital Limited[2]
Kingfisher France Limited[2]
Kingfisher Group Finance B.V.[18]
Kingfisher Group Limited[2]
Kingfisher Holdings Limited[b, 2]
Kingfisher Information Technology Services (France) S.A.S.[1]
Kingfisher Information Technology Services (UK) Limited[2]
Kingfisher Insurance Designated Activity Company[19]
Kingfisher International Finance SA[20]
Kingfisher International Holdings Limited[2]
Kingfisher International Products B.V.[17]
Kingfisher International Products France S.A.S.[1]
Kingfisher International Products Limited[2]
Kingfisher Investissements S.A.S.[13]
Kingfisher Pension Trustee Limited[2]
Kingfisher Properties Investments Limited[2]
Kingfisher Scottish Limited Partnership[c, 21]
Kingfisher Sourcing, Eastern Europe, Sp. z o.o.[12]
Kingfisher TMB Limited[5]
KSO Istanbul Sourcing Ev Geliştirme Ürünleri ve Hizmetleri Ltd Sti[22]
L'Immobiliere Castorama S.A.S.[13]
Martin Pecheur Holdings Limited[24]
Martin Pecheur Sterling Investments Limited[2]
MELANI 1 Sp. z o.o[12]
New England Paint Company Limited[2]
Owl Development Sp. z.o.o[12]
Paddington Investments Ireland Limited[24]
Plumbfix Limited[8]
Portswood S.A.R.L[23]
Portswood Investments Limited[2]
ProLand Corporation LLC[25]
Screwfix Direct (Ireland) Limited[6]
Screwfix Direct Limited[d, 8]
Screwfix Investments Limited[2]
Screwfix Limited[8]
Screwfix S.A.S.[1]
SFD Limited[8]
Sheldon Euro Investments Limited[2]
Sheldon Euro Investments 2 Limited[2]
Sheldon Holdings Limited[2]
Sheldon Poland Investments Limited[2]
Sheldon Sterling Investments Limited[2]
Société Letranne S.A.S.[11]
SOCODI S.A.R.L.[1]
Street Club Limited[5]
The Screwfix Foundation[8, *]
Trade Point Limited [5]
Wildbird International Limited[e, 8]
Zeus Land Investments Limited[2]

Related undertakings other than wholly owned subsidiaries

CREALFI S.A.S. (France, 49%)[26]
Kingfisher Services S.A.S. (France, 80%)[1]
We Share Trust (Suisse) S.A.R.L (Suisse, 80%)[29]
Koçtas Yapi Marketleri Ticaret A.S. (Turkey, 51.82%)[27]
We Share Trust S.A.S. (France, 80%)[28]

a. Kingfisher plc holds 1,000 Special Shares of £0.05 each, and 1,000 Special A Shares of £0.05 each – both representing 100% of the nominal value of each class of share.
b. The shares are held directly by Kingfisher plc.
c. Kingfisher Properties Investments Limited and Kingfisher Pension Trustee Limited are the limited partners; B&Q Properties Investments Limited is the general partner.
d. 4,083 Ordinary A shares of £1 each, 45,917 Ordinary C shares of £1 each and 4,591,700 Ordinary D Shares – each representing 100% of the nominal value of each class of share. These represent 100% of the total issued share capital.
e. 200 Ordinary A shares of £1 each, 100 Ordinary B shares of £1 each, 5 Ordinary C shares of £1 each, 5 Ordinary D shares of £1 each and 10 Ordinary E shares of £1 each – each representing 100% of the nominal value of each class of share. These represent 100% of the total issued share capital.

15 Related undertakings of the Group continued

Registered offices and country of incorporation:

1. Parc d'Activités, Zone Industrielle, Templemars, 59175, France
2. 3 Sheldon Square, Paddington, London, W2 6PX, United Kingdom
3. Dorey Court, Admiral Park, St Peters Port, GY1 3BQ, Guernsey
4. Gaspe House, 66-72 Esplanade, St. Helier, Jersey, JE2 3QT, Jersey
5. B&Q House, Chestnut Avenue, Chandlers Ford, Eastleigh, Hampshire, SO53 3LE, United Kingdom
6. 6th Floor, 2 Grand Canal Square, Dublin 2, Ireland
7. 124-125 Princess Street, Edinburgh, EH2 4AD, Scotland, United Kingdom
8. Trade House, Mead Avenue, Houndstone Business Park, Yeovil, BA22 8RT, United Kingdom
9. 1-3 Calea Giulesti, 2nd Floor, Bricostore Commercial Centre, District 6, Bucharest, Romania
10. Rua Elias García,Estrada Nacional 294, km 14, Freguesia de Rio de Mouro, Concelho de Sintra, Lisbon, Portugal
11. 30-32 Rue de la Tourelle, 91310 Longpont-sur-Orge, France
12. ul. Krakowiaków 78, 02-255, Warsaw, Poland
13. Zone Industrielle, 59175 Templemars, France
14. C/ la Selva, 10 Inblau Edificio A 1a, 08820 El Prat de Llobregat, Barcelona, Spain
15. B&Q China, 4th Floor, B&Q Pudong Commercial Building, No. 393 Yin Xiao Road, Pudong New Area, Shanghai, 201204, China
16. 2/F, Koho, 73 - 75 Hung To Road, Kwun Tong, Hong Kong
17. Rapenburgerstraat 175, E, 1011 VM, Amsterdam, Netherlands
18. Prins Bernardplein 200, 1097 JB Amsterdam, Netherlands
19. Willis Towers Watson House, Elm Park, Merrion Road, Dublin 4, Ireland
20. Regus Park Atrium, Rue des Colonies 11, 1000 Brussels, Belgium
21. Womble Bond Dickinson (UK) LLP, 2 Semple Street, Edinburgh, EH3 8BL, Scotland
22. Barbaros Mahallesi Mor Sümbül Sokak, Nidakule Blok No: 7/3, İçkapı no: 127, Ataşehir /İstanbul, Turkey
23. 99 Grand'rue, B.P.761, L-1661, Luxembourg
24. 1st - 2nd Floors, 1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland
25. Derbenevskaya nab. 7, Building 8, 115114, Moscow, Russian Federation
26. 1 rue Victor Basch, CS 70001, MASSY CEDEX, 91068, France
27. Tasdelen, Sile otobani 11.Km.Alemdar Sapagi Sirri Celik Bulvari, No.1 C.Blok Cekmekoy, Istanbul, 34788, Turkey
28. 5, villa Victor Hugo, PARIS, 75016, France
29. Rue Saint-Léger, 19, c/o FIDUCIOR SA, Genève, 1204, Switzerland

16 Post balance sheet events

During the period since the balance sheet date, the Group purchased 22 million of the Company's own shares for cancellation at a cost of £69m. This amount was deducted from equity in 2021/22 as a result of an irrevocable closed season buyback agreement which was in place at 31 January 2022.

Group five year financial summary

£ millions	IAS 17 2017/18	2018/19	2019/20	2020/21	IFRS 16[5] 2021/22
Income statement					
Sales	11,655	11,685	11,513	12,343	**13,183**
Retail profit	849	824	786	1,003	**1,148**
Central costs	(46)	(69)	(62)	(54)	**(60)**
Share of interest and tax of joint ventures and associates (before exchange differences on lease liabilities)	(4)	(5)	(7)	(3)	**(2)**
Net finance costs before financing fair value remeasurements ('FFVR'), exchange differences on lease liabilities ('Lease FX') and adjusting items	(2)	(176)	(173)	(160)	**(137)**
Transformation P&L costs[6]	(114)	–	–	–	**–**
Adjusted pre-tax profit	683	574	544	786	**949**
Adjusting items (before tax)	–	(267)	(441)	(30)	**58**
FFVR and Lease FX	(1)	(7)	–	–	**–**
Profit before taxation	682	300	103	756	**1,007**
Income tax expense (including adjusting items)	(197)	(107)	(95)	(164)	**(164)**
Profit for the year	485	193	8	592	**843**
Balance sheet					
Goodwill and other intangible assets	2,792	2,807	2,755	2,747	**2,754**
Property, plant and equipment and investment property	3,756	3,310	2,996	3,095	**3,111**
Right-of-use assets	–	2,017	1,916	1,845	**1,885**
Investments in joint ventures and associates	25	15	16	20	**17**
Assets and liabilities (excluding net debt) held for sale	–	89	138	12	**6**
Other net current assets[1]	368	429	424	105	**367**
Post-employment benefits	99	205	277	359	**410**
Other net non-current liabilities[1]	(360)	(181)	(194)	(218)	**(200)**
Capital employed	6,680	8,691	8,328	7,965	**8,350**
Equity shareholders' funds	6,748	6,149	5,802	6,571	**6,778**
Net (cash)/debt	(68)	2,542	2,526	1,394	**1,572**
Capital employed	6,680	8,691	8,328	7,965	**8,350**
Other financial data					
Like-for-like sales growth	(0.7%)	(1.6%)	(1.5%)	7.1%	**9.9%**
Adjusted effective tax rate[2]	30%	27%	26%	23%	**22%**
Basic earnings per share (pence)	22.1	9.1	0.4	28.1	**40.3**
Adjusted basic earnings per share (pence)	21.8	19.8	19.1	28.7	**35.2**
Ordinary dividend per share (pence)	10.82	10.82	3.33	8.25	**12.40**
Gross capital expenditure[3]	368	331	342	281	**397**
Number of stores[4]	1,280	1,331	1,367	1,386	**1,474**

1. Other net current assets and other net non-current liabilities reported above exclude any components of net (cash)/debt.
2. 2017/18 adjusted effective tax rate (adjusted ETR) includes the impact of a one-off French tax surcharge. This increased the adjusted ETR by c.3%.
3. Excluding business acquisitions.
4. Excluding joint ventures and associates. 2017/18 excludes 3 Praktiker Romania stores that were closed in 2018/19.
5. IFRS 16 'Leases' adopted from 2019/20, with restatement of 2018/19 comparatives; 2017/18 is stated under IAS 17 'Leases'.
6. From 2019/20 with restatement of 2018/19 comparatives, the Group no longer reported Transformation P&L costs separately.

Shareholder Information

Financial calendar

Q1 results*	23 May 2022
Annual General Meeting	22 June 2022
Half-year results*	20 September 2022
Q3 results*	24 November 2022

* These dates are provisional and may be subject to change.

Annual General Meeting (AGM)

We consider the AGM to be an important event in our calendar and a significant opportunity to engage with our shareholders.

The 2022 AGM will be held at Storey Club, 4 Kingdom Street, London W2 6BD on Wednesday 22 June 2022 at 2pm. The AGM will also be broadcast live on our dedicated AGM website on the day.

Details of how to participate at the AGM are set out in the Notice of AGM and on our website.

Company Secretary

Chloe Barry

Registered office

Kingfisher plc
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Paddington, London, W2 6PX

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Website: www.kingfisher.com

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Registered Number 01664812

Registrars

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

Telephone: +44(0) 370 702 0129

Shareholders can also visit our online Investor Centre, www.investorcentre.co.uk.

Dividends

The company pays all cash dividends through direct payment to shareholder bank accounts. Shareholders who have not yet notified our Registrar of their preferred bank account details should do so without delay. This does not affect those shareholders who have subscribed for the Dividend Reinvestment Plan.

The interim dividend for the financial year ended 31 January 2022 of 3.80p per share was paid on 12 November 2021.

The table below provides the payment information for the final dividend of 8.60p per share, subject to shareholder approval at the 2022 AGM.

Ex-dividend date	19 May 2022
Record date	20 May 2022
Final date for return of DRIP mandate forms/currency elections	6 June 2022
Euro exchange rate notification	7 June 2022
Payment date and DRIP purchase	27 June 2022

American Depositary Receipts (ADR)

The company has a Sponsored Level 1 ADR programme in the US, which trades on the OTCQX Platform.

Each ADR represents two Kingfisher plc ordinary shares. The company's ADR programme is administered by Citibank, N.A., who were appointed by the company on 1 October 2015.

ADR investor contact

Telephone: +1 877 248 4237
Email: citibank@shareholders-online.com

ADR broker contact

Telephone: +1 212 723 5435 / +44 (0) 20 7500 2030
Email: citiadr@citi.com

Share dealing facilities

Shareholders wishing to sell or purchase shares in the company may do so through a bank or a stockbroker. Alternatively, please go to www.computershare.com/dealing/uk for a range of Dealing services made available by Computershare.

ShareGift

If you would like to consider donating your shareholding to the charity ShareGift (Registered charity 1052686), further information may be obtained by calling 020 7930 3737 or from www.ShareGift.org.

Shareholder security

Details of any share dealing facilities that the company endorses will be included in company mailings only. If you receive any unsolicited investment advice, whether over the telephone, through the post or by email, you should:

- Make sure you get the name of the person and organisation;
- Check that they are properly authorised by the FCA before getting involved by visiting register.fca.org.uk/s/; and
- Report the matter to the FCA either by calling 0800 111 6768 or by completing an online form at www.fca.org.uk/consumers/report-scam-unauthorised-firm.

More detailed information on this or similar activity can be found on the FCA website www.fca.org.uk/scamsmart.

Share price information

The company's ordinary shares are listed on the London Stock Exchange. Share price history and the latest share price are available on the company's website.

Electronic communications

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.

Forward-looking statements

All statements in this Annual Report and Accounts, other than historical facts, may be forward-looking statements (including within the meaning of the safe harbour provisions of the United States Private Securities Litigation Reform Act of 1995). Such statements are therefore subject to inherent 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', 'should', 'project', 'continue' or 'forecast', in each case, their negative or other variations or comparable terminology and include all matters that are not historical facts. These forward-looking statements are based on currently available information and our current assumptions, expectations and projections about future events.

These forward-looking statements appear in a number of places throughout this Annual Report and Accounts and include statements which look forward in time or statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, among 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, global and regional trade conditions (including a downturn in the retail or financial services industries), the state of the housing and home improvement markets, share repurchases and dividends, capital expenditure and capital allocation, liquidity, prospects, growth and strategies, litigation or other proceedings to which we are subject, 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, acts of war or terrorism worldwide, work stoppages, slowdowns or strikes, public health crises (including but not limited to the Covid pandemic), outbreaks of contagious disease or environmental disaster, political volatility 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. Nothing in this Annual Report and Accounts or on the Kingfisher website should be construed as a profit forecast or an invitation to deal in the securities of Kingfisher. For further information regarding risks to Kingfisher's business, consult the Risks section on pages 42 to 48.

The forward-looking statements contained herein speak only as of the date of this Annual Report and Accounts and the company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise, other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority).

You are not to construe the content of this Annual Report and Accounts as investment, legal or tax advice and you should make your own evaluation of the Company and the market. If you are in any doubt about the contents of this Annual Report and Accounts or the action you should take, you should consult a person authorised under the Financial Services and Markets Act 2000 (as amended) (or if you are a person outside the UK, otherwise duly qualified in your jurisdiction). Nothing in this Annual Report and Accounts should be construed as either an offer or invitation to sell or any offering of securities or any invitation or inducement to any person to underwrite, subscribe for or otherwise acquire securities in any company within the Group or an invitation or inducement to engage in investment activity under section 21 of the Financial Services and Markets Act 2000 (as amended) (or, otherwise under any other law, regulation or exchange rules in any other applicable jurisdiction).

Glossary

Alternative Performance Measures (APMs)

In the reporting of financial information, the Directors have adopted various Alternative Performance Measures (APMs), also known as non-GAAP measures, of historical or future financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards (IFRS). These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including those used by other retailers. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Adjusted basic earnings per share (EPS)	Basic earnings per share	A reconciliation of adjusted basic earnings per share is included in the Financial Review and note 11 of the financial statements	Adjusted basic earnings per share represents profit after tax attributable to the owners of the parent, before the impact of adjusting items (see definition below), divided by the weighted average number of shares in issue during the period. The exclusion of adjusting items helps provide an indication of the Group's ongoing business performance.
Adjusted effective tax rate	Effective tax rate	A reconciliation to the statutory effective tax rate is set out in the Financial Review	The adjusted effective tax rate is calculated as continuing income tax expense excluding tax adjustments in respect of prior years (including the impact of changes in tax rates on deferred tax), significant one-off tax settlements and provision charges/releases and the tax effects of adjusting items, divided by continuing profit before taxation excluding adjusting items. Prior year tax items represent income statement tax relating to underlying items originally arising in prior years, including the impact of changes in tax rates on deferred tax. The exclusion of items relating to prior years, and those not in the ordinary course of business, helps provide a better indication of the Group's ongoing rate of tax.
Adjusted pre-tax profit	Profit before taxation	A reconciliation of adjusted pre-tax profit is set out in the Financial Review	Adjusted pre-tax profit is used to report the performance of the business at a Group level. This is stated before adjusting items. The exclusion of adjusting items helps provide an indication of the Group's ongoing business performance.
Adjusted pre-tax profit margin %	No direct equivalent	Refer to definition	Adjusted pre-tax profit is used to report the performance of the business at a Group level and is separately defined. Adjusted pre-tax profit margin % represents adjusted pre-tax profit as a percentage of sales. It is a measure of overall business profitability.
Adjusted post-tax profit	Profit after tax	A reconciliation of adjusted post-tax profit is set out in the Financial Review and note 11 of the financial statements	Adjusted post-tax profit is used to report the after-tax performance of the business at a Group level. This is stated before adjusting items. The exclusion of adjusting items helps provide an indication of the Group's ongoing after-tax business performance.
Adjusting items	No direct equivalent	Not applicable	Adjusting items, which are presented separately within their relevant income statement category, include items which by virtue of their size and/or nature, do not reflect the Group's ongoing trading performance. Adjusting items may include, but are not limited to: non-trading items included in operating profit such as profits and losses on the disposal, closure, exit or impairment of subsidiaries, joint ventures, associates and in-vestments which do not form part of the Group's ongoing trading activities; the costs of significant restructuring and incremental acquisition integration costs; profits and losses on the exit of properties, impairments of goodwill and significant impairments (or impairment reversals) of other non-current assets; prior year tax items (including the impact of changes in tax rates on deferred tax), significant one-off tax settlements and provision charges/releases and the tax effects of other adjusting items; financing fair value remeasurements i.e. 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 (or non-designated) hedge relationships. Financing derivatives are those that relate to hedged items of a financing nature.
Central costs	No direct equivalent	Not applicable	Central costs principally comprise the costs of the Group's head office before adjusting items. This helps provide an indication of the Group's ongoing head office costs.
Constant currency	No direct equivalent	Not applicable	Constant currency changes in total sales, LFL sales, gross profit, gross margin %, retail profit and retail profit margin % reflect the year-on-year movements after translating the prior year comparatives at the cur-rent year's average exchange rates. These are presented to eliminate the effects of ex-change rate fluctuations on the reported results.
Dividend cover	No direct equivalent	Not applicable	Dividend cover represents the ratio of earnings to dividends. It is calculated as adjusted basic earnings per share divided by the total (full year) dividend per share. It is used as an indication of how sustainable dividend payments are.

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
EBITDA	Profit before taxation	A reconciliation of EBITDA is set out in the Financial Review	EBITDA (earnings before interest, tax, depreciation and amortisation) is calculated as retail profit less central costs and before depreciation and amortisation. This measure is widely used in calculating the ratio of net debt to EBITDA, and is used to reflect the Group's leverage.
FFVR	No direct equivalent	Included within net finance costs in note 6 of the financial statements	FFVR (financing fair value remeasurements) is included within adjusting items (see definition above) and represent fair value fluctuations from financial instruments.
Free cash flow	Net increase in cash and cash equivalents and bank over-drafts	A reconciliation of free cash flow is set out in the Financial Review	Free cash flow represents the cash generated from operations (excluding adjusting items) less the amount spent on interest, tax and capital expenditure during the year (excluding asset disposals). This provides a measure of how much cash the business generates that can be used for expansion, capital returns and other purposes.
Gross margin %	No direct equivalent	Refer to definition	Gross profit represents sales from the sup-ply of home improvement products and services (excluding VAT), less the associated cost of those sales. Gross margin % represents gross profit as a percentage of sales. It is a measure of operating performance.
LFL	Sales	Refer to definition	LFL (like-for-like) sales growth represents the constant currency, year on year sales growth for stores that have been open for more than one year. Stores temporarily closed or otherwise impacted due to Covid are also included. It is a measure to reflect the Group's performance on a comparable basis.
2-year LFL	Sales	Refer to definition	2-year LFL is calculated by compounding current and prior year LFL growth. For ex-ample, current year LFL growth of 10% and prior year LFL growth of 5% results in 2-year LFL growth of 15.5%. Prior year LFL growth excludes Russia for the purposes of the Group and Other International 2-year LFL calculations. It is a measure of the Group's performance on a comparable basis.
Net debt	No direct equivalent	A reconciliation of this measure is provided in note 33 of the financial statements	Net debt comprises lease liabilities, borrowings and financing derivatives (excluding accrued interest), less cash and cash equivalents and short term deposits, including such balances classified as held for sale.
Net cash flow	Net increase in cash and cash equivalents and bank overdrafts	A reconciliation of net cash flow is set out in the Financial Review and in note 33 of the condensed financial statements	Net cash flow is a measure to reflect the total movement in the net debt balance during the year excluding the movement in lease liabilities, exchange differences and other non-cash movements.
Non-recurring net cost savings	No direct equivalent	Not applicable	Non-recurring net cost savings include discretionary cost savings such as advertising & marketing and government furlough pro-gramme support. This is net of one-off Covid-related costs, including supply & logistics costs, costs of PPE and social distancing, donations, new store layouts, additional store security, and additional bonuses to frontline store staff.
Operating costs	No direct equivalent	Not applicable	Operating costs represent gross profit less retail profit. This is the Group's operating cost measure used to report the performance of our retail businesses.
Retail profit	Profit before taxation	A reconciliation of Group retail profit to profit before taxation is set out in the Financial Review and note 4 of the financial statements. There is no statutory equivalent to retail profit at a retail banner level	Retail profit is stated before central costs, adjusting items and the Group's share of interest and tax of JVs and associates. This is the Group's operating profit measure used to report the performance of our retail businesses.

Glossary continued

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Retail profit mar-gin %	No direct equivalent	Refer to definition	Retail profit is the Group's operating profit measure used to report the performance of our retail businesses and is separately de-fined above. Retail profit margin % represents retail profit as a percentage of sales. It is a measure of operating performance.
ROCE	No direct equivalent	Refer to definition	ROCE is the post-tax retail profit less central costs, excluding adjusting items, divided by capital employed excluding historic goodwill, net cash and adjusting restructuring provision. The measure provides an indication of the ongoing returns from the capital invested in the business. Capital employed is calculated as a two-point aver-age. The calculation excludes disposed businesses.
Same-store net inventory	Inventory	Refer to definition	Same-store net inventory movement represents the constant currency, year on year change in net inventory before the impact of store openings and closures. Stores temporarily closed or otherwise impacted due to Covid are also included. It is a measure to reflect the Group's inventory management on a comparable basis.

Other Definitions

Banque de France data for DIY retail sales (non-seasonally adjusted). Includes relocated and extended stores. http://webstat.banque-france.fr/en/browse.do?node=5384326

'Do It Yourself' (DIY) sales include products that facilitate self-undertaken home improvement projects and tasks, including paint, lighting, tools and hardware, and garden maintenance.

'Do It For Me' (DIFM) sales include products and services used in home improvement projects and tasks that predominantly require a tradesperson to undertake, including kitchens, bathrooms, tiling, wardrobes, windows and doors, certain electrical and plumbing activities, and installation services.

Digitally-enabled sales are e-commerce sales plus sales associated with customer orders placed in stores or via contact centres for collection from store or home delivery (via central home delivery or via store-to-home).

E-commerce sales are total sales derived from online transactions, including click & collect (C&C). This includes sales transacted on any device, however not sales through a call centre. References to digital or e-commerce sales growth relates to growth at constant currency.

France consists of Castorama France and Brico Dépôt France.

GNFR (Goods Not For Resale) covers the procurement of all goods and services a retailer consumes (including media buying, mechanical handling equipment, printing & paper).

Iberia consists of Brico Dépôt Spain and Brico Dépôt Portugal.

Other International consists of Poland, Iberia, Romania, Russia, 'Other', and Turkey (Koçtaş JV). The sale of Russia was completed in FY 20/21 (on 30 September 2020). 'Other' consists of the consolidated results of NeedHelp (acquired in November 2020), Screwfix International (launched online in France in April 2021), and results from franchise agreements.

SKU (Stock Keeping Unit) is defined as the number of individual variants of products sold or remaining in stock. It is a distinct type of item for sale, such as a product and all attributes associated with the item type that distinguish it from others. These attributes could include, but are not limited to, manufacturer, description, material, size, colour, packaging and warranty terms.

UK & Ireland consists of B&Q in the UK & Ireland and Screwfix in the UK & Ireland.

Printed by Park Communications on FSC® certified paper.

Park works to the EMAS standard and its Environmental Management System is certified to ISO 14001.

This publication has been manufactured using 100% offshore wind electricity sourced from UK wind.

100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled and the remaining 1% used to generate energy.

This document is printed on Edixion Offset, a paper made of material from well-managed, FSC®-certified forests and other controlled sources.

Artworking and production by Black Sun plc

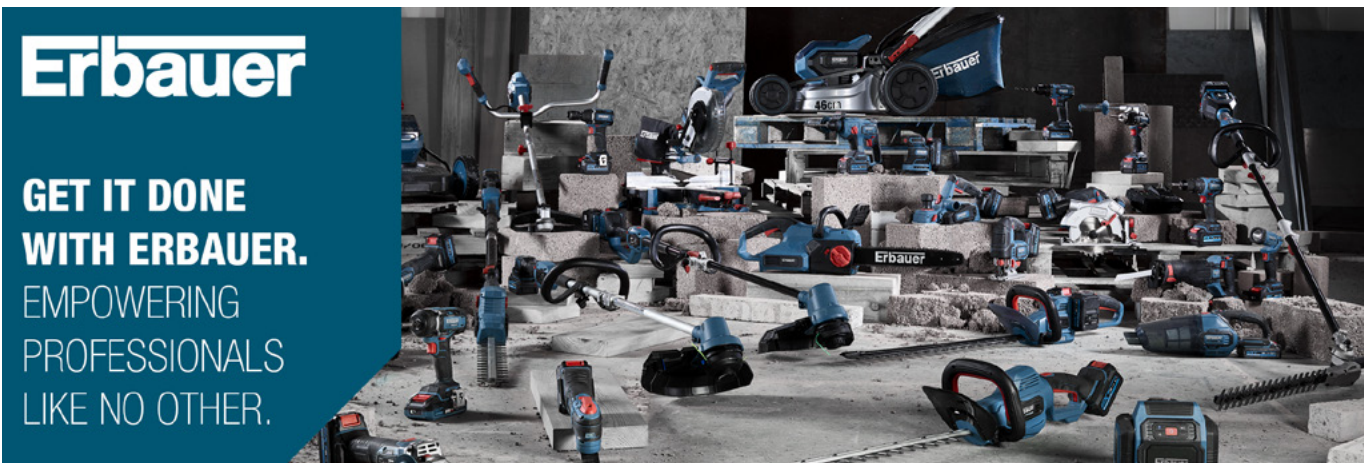
blacksunplc.com

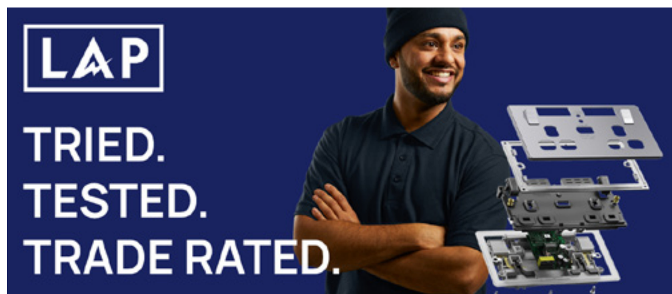
Our Own Exclusive Brands

We are helping to make better homes accessible for everyone.

Our own exclusive brands (OEB) set us apart in the market through their design, functionality and sustainability as well as the excellent value for money they offer our customers in the consumer and trade sectors.

We develop our brands exclusively for our banners and franchises. We group them into three distinct portfolios tailored to each of our formats – Home Improvers, Discounters and Trade. We aim to grow our OEB sales further by bringing even more innovation and affordability into our ranges.





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