



We want to create
good homes by
making home
improvement
accessible for
everyone



In this report

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Chairman's statement, page 4



**Interview with Chief Executive Officer
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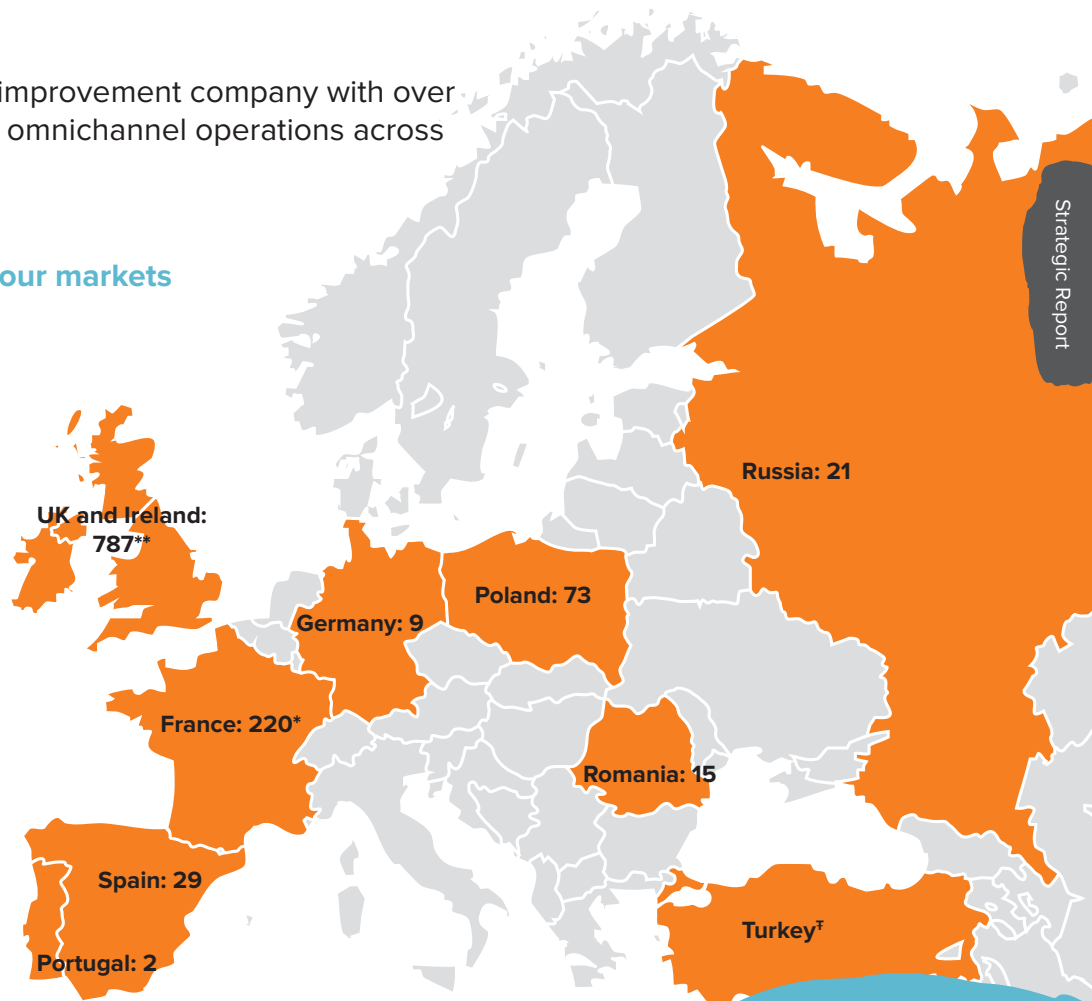


Our strategy, pages 14 to 19

At a glance

Kingfisher plc is a home improvement company with over 1,100 stores and growing omnichannel operations across 10 countries in Europe.

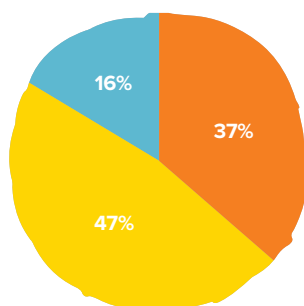
Our store numbers and our markets



* Castorama 102, Brico Dépôt 118
 ** B&Q UK & Ireland 330, Screwfix 457
 † Turkey not consolidated

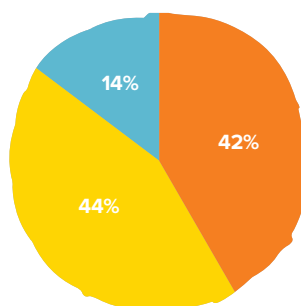
Our key figures

Contribution to total sales



France	£3,786m
UK	£4,853m
Other	£1,692m
Total	£10.3bn

Contribution to retail profit[§]



France	£311m
UK	£326m
Other	£109m
Total	£746m

Total sales

£10.3bn

Adjusted pre-tax profit[§]

£686m

Employees[†]

74,000

Total stores[†]

1,156

[§] See the Financial Review on pages 25 to 30

[†] Total, not full time equivalent, excluding Turkey

[‡] Turkey not consolidated

Our ambition

We want to create good homes by making home improvement accessible for everyone.

Our ambition is to become the leading home improvement company. To achieve this we need to offer a new and unique customer experience all along the customer journey. We believe everybody should be able to have a home they feel good about. That is why all our colleagues must put their passion and expertise into inspiring and supporting home improvers – and those that help them – to be successful whatever their home improvement project is: to build, to rebuild, to maintain or to personalise their homes and make them good to live in.

We will be for everybody, for all kinds of customers. We will be for home owners and renters; for people living in apartments and those living in houses. We will be for people with resources and people without; for people with knowledge and those without. And we will take a much broader view of our market and industry.

We have a long-term strategy to reach our ambition, which is based on:

- our customers' reality and needs, which is the start of everything;
- a unified and unique offer that provides quality and choice at good value;
- a unique and seamless customer journey, allowing people to improve their homes any time, any place, anywhere, physically through our stores as well as digitally; and
- having 74,000 committed and diverse colleagues, passionate about home improvement, open to the world, willing to help millions of customers, and working as ONE Kingfisher.

“As the leading home improvement company we will stand for helping as many people as we can to have the good home that they want. And together we will improve people's lives – that's something we can all feel good about.”

Véronique Laury, CEO



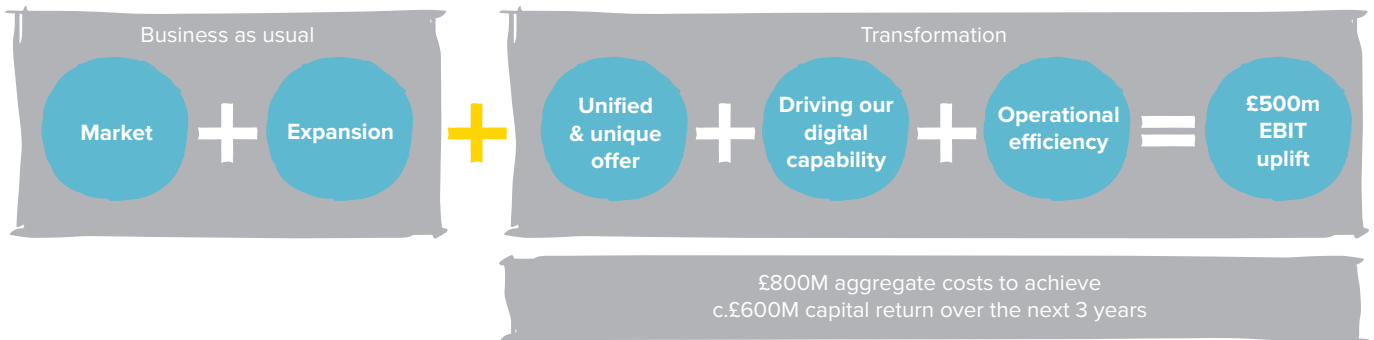
Our transformation

In January 2016 we announced the detail of a five year transformation plan and gave clear long-term financial targets and operational milestones for the first year (FY 2016/17).

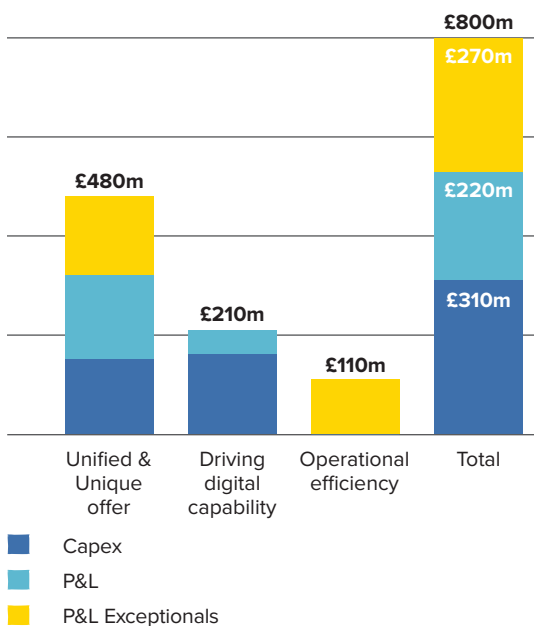
Our transformation plan aims to deliver £500 million of sustainable profit uplift by year five, over and above 'business as usual'. By this we mean that without the transformation we would expect performance to be broadly in line with the macroeconomic backdrop in our respective markets.

We will track our progress against a set of financial Key Performance Indicators (KPIs) and operational milestones and we will update as we progress (see pages 22 to 23).

Our focus over the next five years will be based on three key strategic pillars: creating a unified, unique and leading home improvement offer; driving our digital capability; and optimising our operational efficiency. You can read more about each of these three pillars and the financial characteristics of our ambition in the Our strategy section on pages 14 to 19.



The aggregate cash costs to achieve the transformation



“We are radically reorganising for the first time to operate as ONE company to truly leverage the scale of the business.”

Véronique Laury, CEO

Chairman's statement

A year of significant progress



Daniel Bernard
Chairman

“We have an exciting plan, that I very much believe is worth striving for.”

It has been a year of significant progress and change for Kingfisher. Having launched the ONE Kingfisher plan to create a single, unified company where customer needs come first, we announced in January the detail of our long-term strategy and five year transformation. This transformation aims to deliver £500 million of sustainable annual profit uplift by the end of year five, over and above ‘business as usual’. We also announced a continuation of our capital return programme with an intention to return

around £600 million of capital to shareholders over the next three years, most likely via share buy-back, in addition to the annual ordinary dividend.

Referring now to last year, we delivered a good ‘business as usual’ performance with retail profit up 7.4%* to £746 million and adjusted pre-tax profit up 0.3% to £686 million. In France, our businesses traded well despite the soft economic backdrop, delivering broadly flat* profit, of £311 million. In the UK & Ireland, our businesses delivered an impressive 18% increase in retail profit to £326 million, led by another very strong performance from Screwfix where total sales rose 26% and passed the £1 billion mark for the first time. We believe there is scope for Screwfix to have around 600 stores in the UK, with 50 planned for this year. In our Other International operations retail profit grew by 6.4%* to £109 million, with a strong performance in Poland offset by lower profits in Russia.

* in constant currencies

Investment in new country development continued with the expansion of Screwfix Germany where we currently have nine stores, with nine more planned to open this year. I am pleased to report that we are proposing a full year dividend of 10.1p per share, up 1%, having already returned an additional £200 million last year to shareholders via a share buy-back.

During the year we also delivered solid progress on our first 'sharp' decisions, announced in March 2015. Work on developing a unified offer for the first time started in earnest, focusing initially on the first 20 categories within our 'core essential' ranges. These started to arrive in our stores from spring this year. Good progress was also made on the development of unique Kingfisher ranges in the bathroom and outdoor categories. In our retail operations the space rationalisation programme at B&Q UK & Ireland is very much on track, and in infrastructure and processes our new unified IT platform was successfully piloted at B&Q in Ireland leading to an acceleration of our roll-out plans. This really is a great step forward, and will be a key enabler for ONE Kingfisher.

We have a clear longer-term road map alongside operational milestones for 2016/17. These include establishing our new ONE Offer & Supply Chain organisation, with global unified functions for the first time; achieving 4% unified cost of goods sold; and building the 'Brilliant Basics' digital platform in B&Q UK & Ireland. You can read more about the road map and milestones on pages 22 to 23.

We also remain committed to being a truly sustainable company and we continue to make good progress in this area. As we develop our unified ranges we are improving sustainability performance in areas like materials, manufacturing and transport. Sales of sustainable home products were £2.9 billion in 2015/16, accounting for 28% of sales across the year. Through sales of energy efficient products and services we have helped customers save 10.8TWh of energy since 2011/12. We also aim to have a positive impact on the communities we work in and source from. For example, to increase the impact of our community investment, we updated our communities strategy in 2015, identifying three areas where we can have a positive impact both at a local and global level. These are homes, skills and forests.

Read more about our sustainability performance on page 19

Read more about our strategy in the CEO interview on pages 6 to 9 and in the strategy section on pages 14 to 19

I am delighted to welcome Rakhi (Parekh) Goss-Custard to the Board of Kingfisher, following her appointment as a non-executive director in February. Rakhi is a highly experienced director in digital retailing having recently spent 11 years at Amazon.com. Her digital skills and experience, as well as experience gained from other non-executive roles, will be of great benefit to Kingfisher. She will further enhance our board, which already includes directors with experience gained at Apple and IKEA, among others. Janis Kong stepped down from the Kingfisher Board after nine years as a non-executive director and I would like to thank Janis for her distinguished service. Her wise counsel has been greatly appreciated and we wish her well.

And as always, I would also like to thank our 74,000 colleagues across Kingfisher for their hard work and commitment during the year. This is a time of great change for the business and I recognise that this will not always be easy for our people. But we have an exciting plan that I very much believe is worth striving for. If we always put our customers first and help them have a home they feel good about, then that is something we can all be proud of.

Daniel Bernard
Chairman

Financial highlights

Adjusted pre-tax[†] profit

£686m

+ 0.3%

Adjusted basic[†] earnings per share

22.0p

+ 3.3%

Full year dividend

10.1p

+ 1%

Profit before taxation

£512m

- 20.5%

Profit for the year

£412m

- 28.1%

Basic earnings per share

17.8p

- 26.7%

[†] Adjusted measures exclude the impact of exceptional items. See the Financial Review on pages 25 to 30.

"If we always put our customers first and help them have a home they feel good about, then that is something we can all be proud of."

CEO's interview



“By putting the customer first, we will create a business that will better address their needs. We have the scale, the expertise and the passion, and by directing it with a unified focus we can truly make a difference.”

Interview with Véronique Laury

Q You have been CEO of Kingfisher for just over a year now. What progress do you feel the business has made in that time?

A I feel we've made a lot of progress. Following an in-depth review of Kingfisher's business last year alongside in-depth studies of our customers' home improvement needs, the leadership team announced the ONE Kingfisher plan. This plan will leverage the scale of the business by becoming a single, unified company where those customer needs always come first.

In January 2016 we revealed the detail of our new strategy and our focus over the next five years based on the three key pillars of creating a unified, unique and leading home improvement offer, driving our digital capability, and optimising our operational efficiency. With a clear road map now in place alongside long-term targets, the size of the five year opportunity is significant. Of course we acknowledge the challenges ahead. However, having already made good progress since March last year with our first 'sharp' decisions, and with 74,000 committed colleagues, we feel confident about our plan and look forward to moving on to the first year of our transformation.

Q How do you view the potential of the home improvement market?

A I think the potential is huge. The home is an ever-changing, always evolving space that demands love and attention. But all across our markets, people are finding the task of starting, completing and keeping up with home improvement projects more difficult than it needs to be. What should be an enjoyable and rewarding process is often far too challenging, with many unforeseen hurdles along the way.

But despite all these challenges, people remain determined, because a good home is a vital part of living a better life. It can be hard work, but ask anyone who has ever swung a hammer, tiled a floor, or painted a room, and they'll tell you that once it's done it's all worth it.

Q What can Kingfisher do to help people create a good home?

A It is clear that when it comes to home improvement, something has to change. People need ideas and inspiration. They need help planning projects correctly. They need help purchasing the right materials and tools. They need help building and installing. And finally, they need help maintaining their homes. By putting the customer first, we can create a business to better address their needs. We have the scale, the expertise and the passion, and by directing it with a unified focus we can truly make a difference.

“Everyone deserves a home they can feel good about, and we all play a part in making that happen.”

Q So how will your customer offer change?

A We're creating a complete unified and unique offer based on deep customer insights. This offer will be unified across Europe and ultimately delivered by an integrated supply chain from the supplier to the customer's home for quality at lowest cost. Our new, unified 'core essentials' ranges are starting to arrive in stores, covering areas such as light bulbs, batteries and kitchen sinks.

We have also started working on developing unique ranges, where the design and quality will be owned and specified by Kingfisher. This will ensure we meet customer needs, whether they be functional, design or affordability, as well as differentiating our offer. We have started with the bathroom and outdoor categories. This is brand new and exciting!

As our new offer arrives in stores, it will not only be the same offer everywhere but will also be presented in the same way across Europe. But it is early days. We have said that our unified offer will roll out over the next five years. By the end of 2018 over half of our offer will be new so customers will notice a real change by then.

Q And the digital strategy, how will that work and benefit both customers and staff?

A We're going to start being where people need us to be, giving them what they need when they need it, from inspiration to realisation. We'll do this by creating digital tools that will help customers to find great ideas, plan their projects, connect with helpers from their community, and search for the right tools and products instantly and seamlessly from the comfort of their own home or wherever they may be.

We'll support this innovative approach in our stores, where we'll have access to the same digital tools our customers do, allowing us to know their projects and their homes inside and out. We'll provide new in-store technology that will help us spend less time on administration and more time with customers as we share our expertise with them. We will continue to optimise our ways of working, our store formats and our market presence, making us uniquely placed to offer the best customer experience possible.

Q Are you confident you have the right team to deliver this strategy?

A Yes, absolutely. We have a highly competent, highly committed leadership team with a great range of skills and experience. And when we need new competence we recruit them. For example, we recently appointed Pierre Woreczek to the new role of Chief Customer Officer. Pierre spent 17 years at McDonald's in senior

strategy, customer and digital roles. We have also decided to create a new role of Chief Sales and Retail Operations Officer. Jean-Paul Constant will join us in this role in late summer 2016. He spent 30 years at Decathlon in senior roles. And we have 74,000 committed colleagues within Kingfisher who do a great job helping our customers.

Q Can Kingfisher deliver all this change without impacting the day-to-day running of the business?

A We have set up a transformation programme management function to monitor the progress of our key initiatives against our external and internal Key Performance Indicators. For example, one of the reasons we are rolling out our unified offer over five years and not less is to manage the execution risk and to protect 'business as usual'.

Q Kingfisher has talked about changing the way it does things before. Why will it be different this time?

A I think it's different for three reasons. First, we are putting customers first in everything we do. This was not the case before. Second, we have a fresh view of our 'field of action' which we refer to as our 'home improvement ecosystem' (see pages 10 to 13), an ecosystem that really reflects the reality of home improvement projects. And third, we are radically reorganising for the first time to operate as ONE company to truly leverage the scale of the business.

"This is a transformation plan and Kingfisher in five years' time will be very different from what it is today."



Q What do you see as the biggest risk to your plans?

A I would say the biggest risk to our plans is the cultural change and we are very aware of it. This is a transformation plan and Kingfisher in five years' time will be very different from what it is today, so our people will be an important part of that journey. Our new Chief People Officer, Emily Lawson, who joined us in October 2015, has the right experience of big transformational change. She will be key, alongside me, in ensuring that we bring our existing people along with us in the right way, as well as ensuring we recruit the right people to support this transformation where we need new competences and capability.

Q How is sustainability relevant to Kingfisher's transformation?

A We believe that a good home is a more sustainable home – one that is green outside and in, resource and energy smart, healthy and comfortable, durable and efficient to run. As we transform our offer we are further integrating sustainability into our ranges, to make it easier for our customers to create a good and sustainable home. Within our business we aim to be a truly sustainable company too, and we are looking at our supply chain, our buildings, our infrastructure and processes. We are lucky in this regard because we have a very strong heritage and a track record of leadership in sustainability. We are building on strong foundations and are very ambitious about what we want to achieve next.

Q What should a home improvement company stand for?

A Everyone deserves a home they can feel good about, and we all play a part in making that happen. Together we will become ambassadors for home improvement, full of knowledge, passion and ambition to support those with a desire to improve their home.

As the leading home improvement company we will stand for helping as many people as we can to have the good home that they want. And together we will improve people's lives – that's something we can all feel good about.

Véronique Laury
Chief Executive Officer



Our customers

We are basing everything we do on the reality of our customers' lives.

Customer insights

The world around us is changing and this is having an important impact on the way our customers lead their lives. Many of these changes are driven by major, universal 'mega-trends'. For example, globalisation is a fact of everyday life.

Major demographic changes are accelerating, and by 2050 two-thirds of the world's population will live in urban areas. Ageing populations are a feature of many of our markets and 30-45% of homes in Western Europe are single households. And of course, digital technology is changing the way people buy, shop and research.

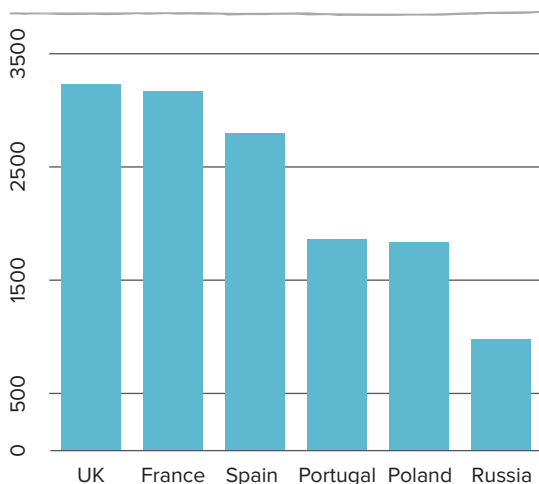
Other trends also require us to rethink our business models. The concept of the sharing economy is developing fast, with sharing and exchanging now becoming more common as an alternative to simply buying products and services. In addition, scarcity of natural resources means that the cost of energy is a frequent concern for many people, with an estimated 11% of Europe's population struggling to pay their energy bills.

Given all this change, Kingfisher needs to change too, alongside basing everything we do on the reality of our customers' lives. Over the past year we have conducted research within 20,000 homes across Europe.

This included visiting the homes of 3,000 people and having in-depth conversations with them about their homes. Based on this research, we know that:

- people are improving their homes with the same purpose – they want a home that is good to live in; 90% of people's happiness comes from having a home they love;
- customer needs are more similar than they are different. For example, in Kingfisher countries the average age of housing stock is between 50 and 60 years, and 74% of bathrooms are smaller than seven square meters. Home decoration tastes are also converging with, for example, a bathroom in France or Poland looking very similar to one in the UK;
- most home improvers have limited resources and limited skills; and
- customer home improvement journeys can be long and complex, with many barriers and restraints. For example, a typical bathroom project can take up to seven months to finish and 39% of home improvers in France abandon their bathroom project well before completion.

Average income
€ per / month



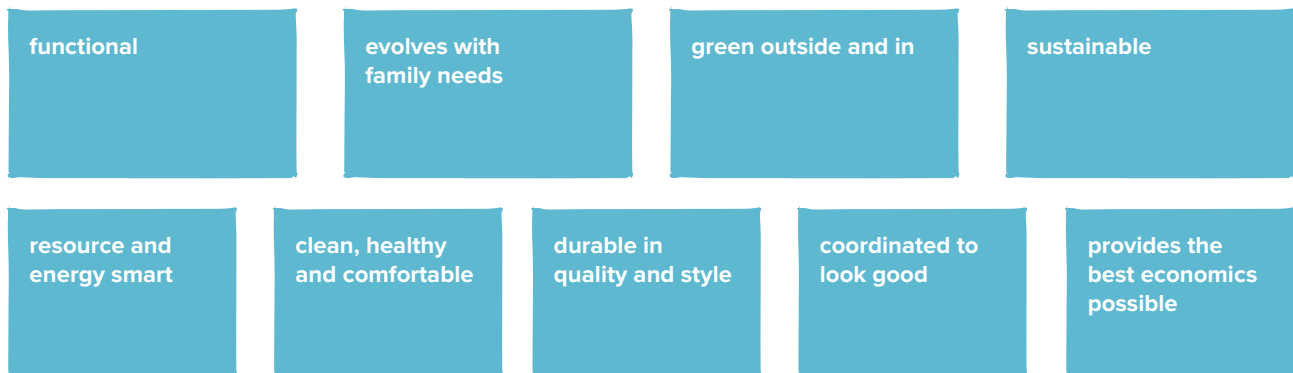
“We are basing everything we do on the reality of our customers' lives.”



A good home

We have developed a point of view about what a good home is, based on the research that we've been doing over the past year. These are the fundamental elements of the home that our customers tell us make it a good home. Our aim is to help them achieve it.

A good home is a home that is:



The customer journey

What is also clear is that, for most people, home improvement is a challenge. Customer journeys are often long and complex, with many barriers and constraints.

Based on our customer knowledge, we know that for all home improvement projects there are seven common steps on the customer journey.

Today we only play a small part in our customers' journeys, largely at the 'purchase' stage.

Our aim is to better service the whole customer journey, which will ultimately lead to more satisfied customers and encourage more people do more home improvement projects.



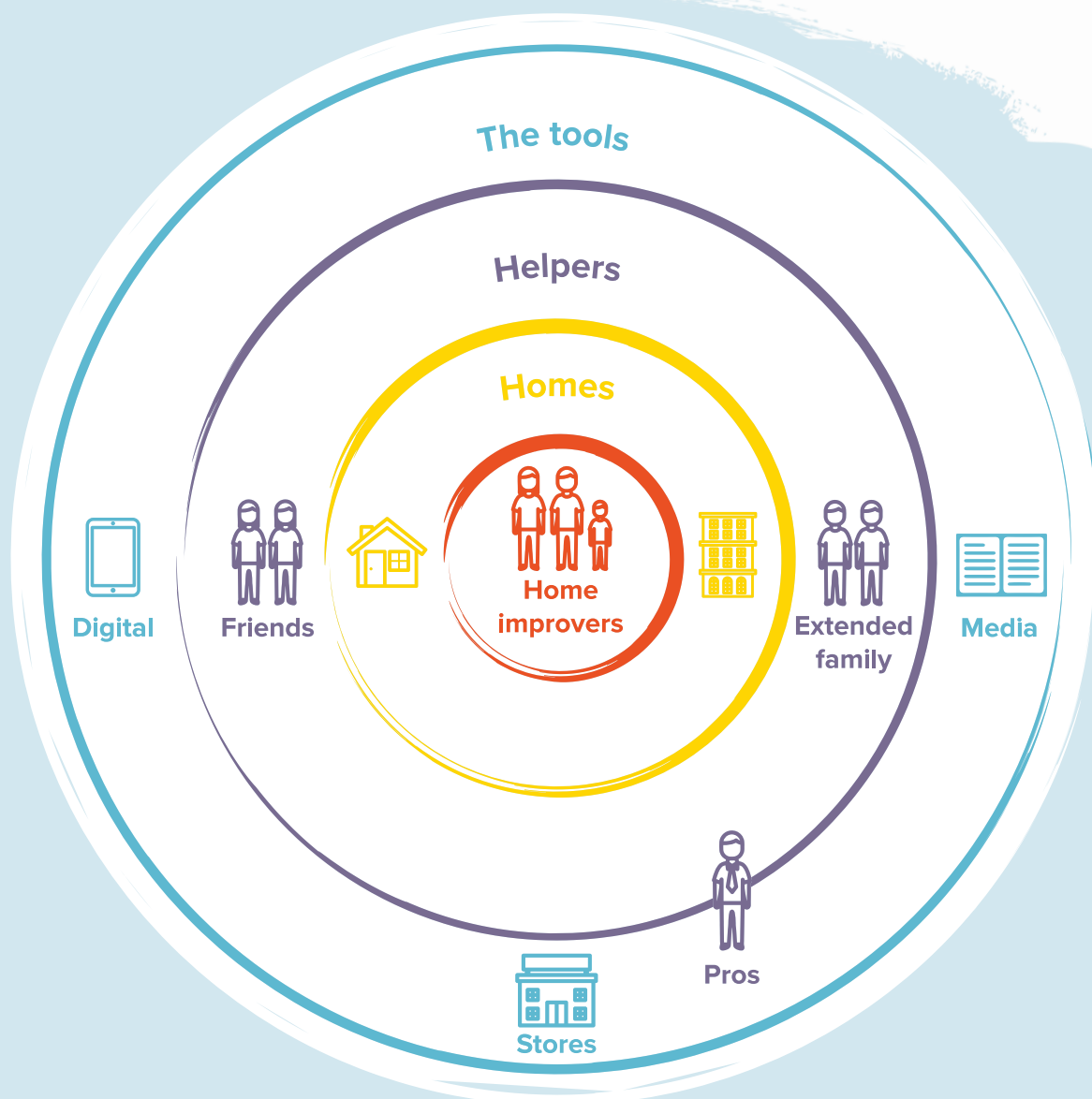
Our home improvement ecosystem

Our market is a large ecosystem, rather than traditional, separate segments.

Our customers are the millions of home improvers who want to improve their homes, whether they are owners or renters. Because most home improvers have limited skills to complete home projects, outside help is often needed to get things done right. This is where they call upon their 'helpers'.

This could be the neighbour who does small jobs, the handy uncle who is willing to get involved, or the small tradesman.

They are all our customers. There is no clear segmentation; it's an ecosystem. On the same project some tasks will be done by the home improvers themselves, and other tasks will be done by, and with, their helpers. It is often a 'blend'.



Home improvers

A home improver is anyone who wants to improve their home, whether they be an owner or a renter.

Three-quarters of the population of Europe visited a home improvement store last year, and 60% of the population in Europe did a home improvement project.

People have a limited amount of resources to do home improvement (see chart showing average monthly income on p10). For example, across Europe 60-75% of people are doing home improvement jobs themselves in order to save money. The result is that it can sometimes take them a long time to complete their project.

60-75%

of people do home improvement jobs themselves to save money

Homes

People have an emotional connection with their home. It is where they raise their families, see friends and express themselves through design and decoration.

Kingfisher's customer research shows that there are also three reasons why people do home improvement:

- because their family is changing, their life is changing and so their home needs to adapt and evolve;
- for functional reasons, to make their home cheaper to run, more energy efficient or simply to make it more functional; and
- for aesthetic reasons, because they want to have a more comfortable, updated home and a better life.

88%

of people do home improvements in order to live in a more comfortable house

Helpers

If people are short of money or resources they look for help with their home improvement projects.

This could come from a family member or neighbour who may be more experienced. For bigger jobs, or where people lack the skills or confidence, home improvers may call upon a professional tradesperson. The professionals are also part of the home improvement ecosystem, not a separate market. Indeed 60-90% of 'light trade' businesses shop in home improvement stores (percentage varying by country). They often do this with their customer, not alone.

60-90%

of 'light trade' businesses shop in home improvement stores

The tools

For most customers, the 'tools' of their home improvement project invariably start with digital, whether that be researching for ideas and inspiration, 'how to do it' videos or price comparisons.

For example, a third of Pinterest's pins are DIY-related and more than half of Pinterest users are looking for DIY. Home improvement is something that people want to feel and see. So the second 'tool' in home improvement projects is our stores. But there is more we can do to make our stores more inspiring for customers, with better layouts and product displays and with more advice.

1/3rd

of Pinterest's pins are DIY-related

Our strategy

Following an in-depth review of Kingfisher's businesses alongside in-depth studies of our customers' home improvement needs, the leadership team announced the ONE Kingfisher plan. This plan will leverage the scale of the business by creating a unified company, where customer needs always come first.

In March 2015 we announced a set of first 'sharp' decisions, against which solid progress has been made. In addition, the detail of the new ONE Kingfisher strategy was developed, with the focus over the next five years based on three key pillars – creating a unified, unique and leading home improvement offer; driving our digital capability; and optimising our operational efficiency.

In January 2016, we explained the detail of this five year transformation plan and gave clear long-term financial targets and operational milestones for the first year (FY 2016/17). This five year transformation plan aims to deliver £500 million of sustainable annual profit uplift by year five, over and above 'business as usual'.

By this we mean that without the transformation we would expect performance to be broadly in line with the macroeconomic backdrop in our respective markets. Until we have unified our customer offer, we will have limited expansion, the focus of which, in the medium-term, will be Screwfix UK and Europe.

We have a framework for action which sets out what we will do and how we will do it, in order to deliver the plan. If we do this we will become much more than a retailer. We will become the leading home improvement company, taking full advantage of our knowledge, know-how, resources and scale.

Our framework for action

What we will do:

1:
Think of customer needs first

2:
Design a seamless customer process

3:
Create a unique and leading offer with an integrated supply chain

4:
Create a leading customer experience in our stores

5:
Be a truly sustainable company

6:
Work as ONE

7:
Be low cost always

How we do it:

We base everything we do on the reality of people's lives

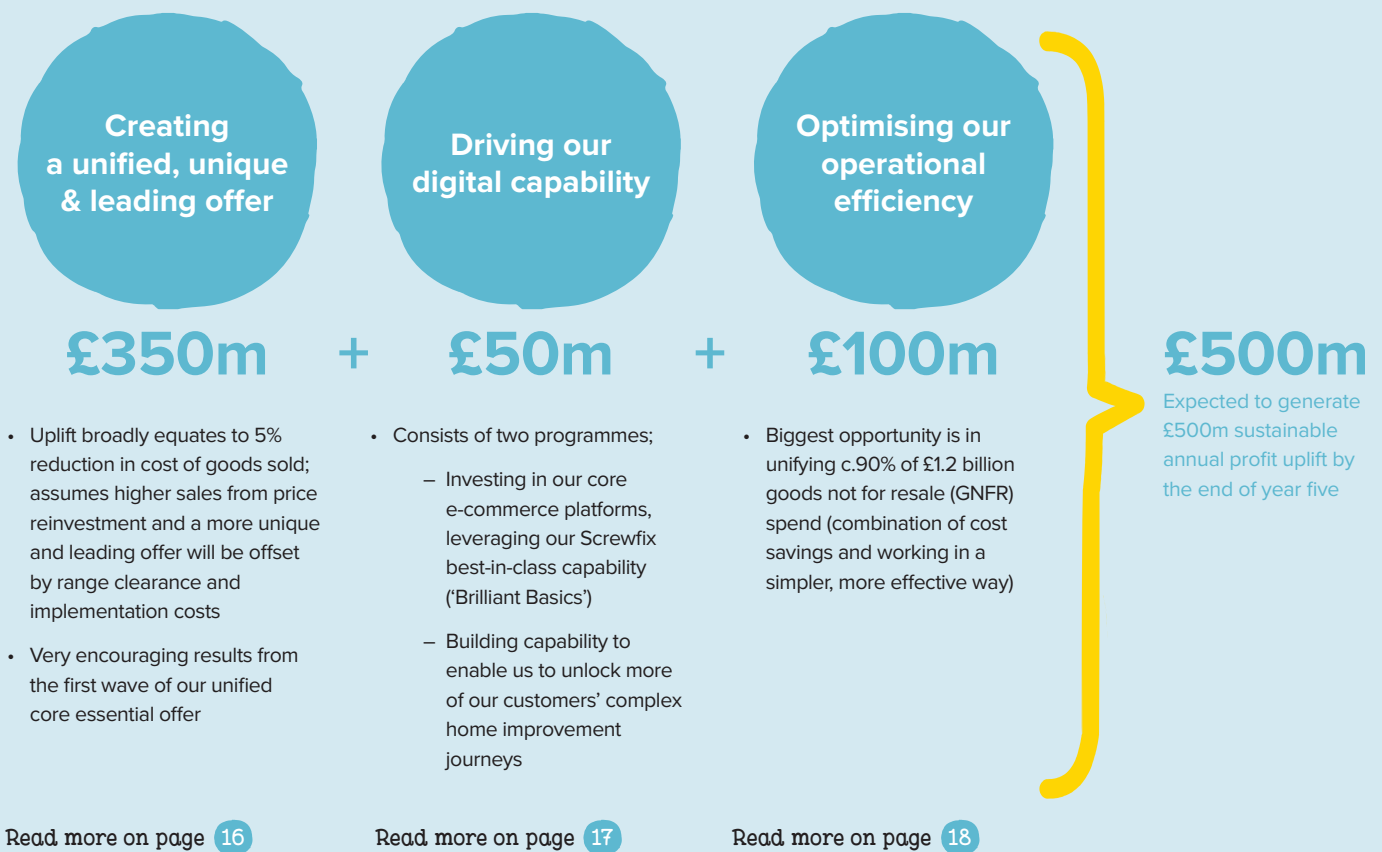
We observe, interpret and create solutions that make good homes

We understand the customer journey and how the ecosystem works

A successful 'before' to 'after' is our field of action!

Our strategic pillars and targets

We have identified three strategic pillars on which we will focus our work, over and above 'business as usual'. These are creating a unified, unique and leading home improvement offer, driving our digital capability and optimising our operational efficiency. Read more about our work in these areas on pages 16 to 18.



Creating a unified and unique offer



Arja Taaveniku
Chief Offer & Supply Chain Officer

“We will radically reorganise to operate as ONE company, moving to ONE offer and supply chain organisation with unified global functions for the first time.”

We know that our customer needs are already more similar than different across all our markets. It therefore makes sense to create an offer for our customers that is complete, unified, unique and leading as ONE.

Today, our range is predominantly ‘local’. Our nine buying teams in our nine Operating Companies independently source their own ranges which they merchandise in their own way. Supplier agreements sit with each Operating Company alongside separately managed logistics networks. As a result, our offer is largely steered by a large number of suppliers in relatively small volumes, and is similar to other retailers’. Our £7 billion of buying scale is therefore largely untapped.

Going forward, we will move to having a unified offer with the same products presented everywhere in the same way. This will create opportunities for efficiencies as well as investment in a better offer for our customers.

We have identified six leading ranges where we want to be the first choice in customers’ minds, which include bathroom and outdoor ranges.

To unlock our potential, however, we need to change. We will radically reorganise to operate as ONE company, moving to ONE offer and supply chain organisation with unified global functions for the first time. This transition will involve training the skilled and enthusiastic people we have to learn new capabilities alongside recruiting deeper competence where we need it, in areas such as design and engineering.

This new organisational structure will enable us to roll out our unified and unique offer over the next five years, a time frame which will minimise risk. We have already started with unifying the first 20 categories within our ‘core essentials’ ranges (see case study below). In addition to lower prices, the benefits to customers will include newer products, simpler ranges, better packaging, higher quality and better sustainability.

We are creating a unified and unique offer

Based on
customer
insights

We will
control our
end to end
process

We will own
intellectual
property, design,
quality and
specifications

Case study: Core essentials

Core essential ranges are the home improvement basics and consumables that our customers see as universal.

These include batteries, light bulbs and sinks, which in total represent around a third of Kingfisher’s total buying scale. We have started with the first 20 categories (representing c.£0.6 billion of buying scale) and the early results are very encouraging. These early results from the first categories support the business case for unifying our ranges, which provide significant benefits to customers. The benefits include simpler ranges, newer products, higher quality and lower prices, as well as improved sustainability.



Driving our digital capability



Steve Willett
Chief Digital and IT Officer

“There is a significant opportunity to grow digital engagement with our customers and substantially increase sales.”

Digital trends and disruptive technologies are transforming customer expectations

Kingfisher believes there is a significant opportunity to grow digital engagement with our customers and substantially increase sales through a seamless and very strong omnichannel offer.

The home improvement industry lags behind other sectors in digital sales penetration with best-in-class retail today only achieving 5% of sales online. This reflects the complexity of home improvement projects and largely low levels of both customer knowledge and frequency of purchase. However, for the companies that have invested in digital, sales and digital penetration are growing quickly.

There is also a real opportunity to help more customers unlock more of their complex home improvement journeys by building a digital platform that will support them along the whole seven step journey. We will provide further details about these plans in due course.

For Kingfisher the first opportunity is to become brilliant at the basics. This means making the omnichannel offer of all our businesses as good as the best we have within our business, which is Screwfix (see case study below).

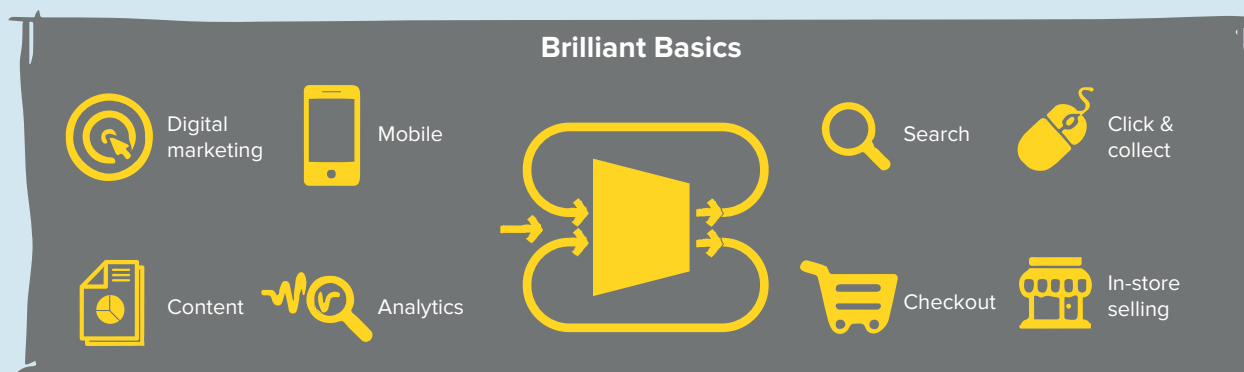
Case study: Brilliant Basics

The start-point of the ‘Brilliant Basics’ plan will be to use the omnichannel expertise of Screwfix to help bring all of Kingfisher’s businesses to a similar level.

As one of the best-in-class operators in digital retailing, Screwfix is well placed to provide the benchmark for Kingfisher’s digital plans. Screwfix has seen 26% annual growth in its website traffic, 99% annual sales growth in mobile and developed a ‘click & collect’ offer that means stock is available to customers in stores within five minutes of the order being placed.

The ‘Brilliant Basics’ programme will involve improvements in areas such as the search functionality of Kingfisher’s websites, mobile technology, product content information, an easier checkout experience, digital marketing and ‘click & collect’. These initiatives will drive web traffic and conversion, driving higher digital and store sales and will be facilitated by the unified IT investment programme currently being rolled out across Kingfisher.

Progress has already been made in this area with the launch of Castorama Russia’s new website, which is based on Screwfix’s international platform.



Optimising our operational efficiency



Karen Witts
Chief Financial Officer

“This programme is not just about cost savings, it is also a programme that will help us to work in a simpler, more effective way across the business.”

Over the next five years, the key driver of Kingfisher's operational efficiency is going to come from our work on goods not for resale (GNFR). These are all the goods and services that we need to run our business that are not sold to our customers, such as paper for catalogues and the fork lift trucks that are used in our stores.

Kingfisher spends £1.2 billion a year on goods not for resale, and, having completed a detailed scoping exercise last year, we believe that around 90% of this spend can be unified. This programme is not just about cost savings, it is also a programme that will help us to work in a simpler, more effective way across the business, without compromising on quality.

Our GNFR spend has been broken down into three 'waves' which will be implemented largely over the next three years. Wave 1 is well progressed, including categories such as media buying, print and paper and mechanical handling equipment. The results of this wave will start to be delivered in 2016/17. Analysis has started on Wave 2, which includes point-of-sale material, financial services and shop-fitting.



Case study: Print and paper

The print and paper category includes all the promotional leaflets, catalogues and other marketing publications we produce for our customers.

It's a category that demonstrates how we can better leverage the scale of the Company by unifying our approach to managing GNFR categories across our Operating Companies.

In the past, each Operating Company has taken its own individual approach. For example, we use promotional flyers in all our Operating Companies, but they have different sizes, different paper grades and different printing methods, and we have negotiated with our suppliers at different times of the year.

As part of our new approach we have worked together to harmonise our approach to this category. We are picking the optimal specifications, which means we are looking for lowest cost formats that are the most efficient for suppliers' manufacturing processes.

We have also been looking at the total end-to-end costs of these publications, including paper waste, print costs and transport costs. But lower cost does not mean low quality. For example, by working with our suppliers we have been able to change the printing process for certain publications, driving better quality whilst reducing costs. We have also been able to consolidate volumes with fewer suppliers and thereby improve our bargaining power. And finally, we have run a joint tender process for our different Operating Companies enabling us to better leverage our scale and obtain better commercial terms.



Sustainability is important for our customers because a good home is a more sustainable home – one that is green outside and in, resource and energy smart, healthy and comfortable, durable and efficient to run.

We aim to be a truly sustainable company, where social and environmental considerations are part of our culture and integrated in the way we run our stores, infrastructure and processes, how we buy our goods and services, and how we support our customers to have more sustainable homes.

By integrating sustainability into all we do we can help our customers create sustainable homes and generate value for our business in four areas: revenue opportunities; customer preference; supply chain resilience; and efficiency and productivity.

We focus on four priority issues that are important to our customers and material to our business: timber, energy (our customers' and our energy), product innovation and communities.

We have 53 sustainability targets and are making good progress towards them. More information about these is available on our website. See www.kingfisher.com/netpositive.

Performance in 2015/16



Timber

We reached 96% responsibly sourced timber and paper in our products, on track for our target of 100% by 2020. We are also working with partners to tackle the challenge of deforestation with a view to protecting and restoring long-term sustainable timber supplies, including through our collaboration with the RSPB and their Birdlife partners on the restoration of the Harapan Rainforest in Indonesia.



Customer energy

74% of customers rate energy efficiency as an important reason for doing home improvement. We have helped customers save 10.8TWh of energy through sales of energy efficient products and services since 2011/12, but need to innovate further to reach our target of 38TWh by 2020. We have expanded our range of energy efficient LED light bulbs, which are now expected to make up 61% of our new unified light bulb range.



Our energy

We are investing in LED lighting, energy monitoring systems and renewable energy generation in our stores and locations. This reduces costs and emissions while improving energy security. We have installed solar photovoltaic panels at two stores and three distribution centres to date, with a generation capacity of 4.1MW. We have cut our property carbon intensity by 16% since 2010/11. A breakdown of our carbon footprint is on page 30.



Product innovation

We are integrating sustainability into product design and development, focusing on areas such as saving energy and water, greener gardening, sustainable materials and closing the loop. Currently, 28% of our sales come from sustainable home products* (2014/15: 22%), generating £2.9 billion for the business, and achieving our 2016/17 milestone ahead of schedule.



Communities

Our companies have supported 1,142 community projects since 2012/13. Our projects focus on issues that matter to our customers, local communities and our business, including improving homes, building skills and protecting and enhancing forests.

* sustainable home products are those with a lower environmental impact

Case study: Antibes – an energy positive store

Castorama's Antibes store, re-opened in 2015, is our largest store and our first to be energy positive.

The main building meets passive design standards meaning it will produce more energy than it consumes. It includes a large rooftop solar panel array and screens in store show customers how much renewable energy is being generated each day.



Our people: working as ONE Kingfisher



Emily Lawson
Chief People Officer

“We can only successfully realise and sustain our transformation by harnessing the energy, enthusiasm, skills and expertise of our people.”

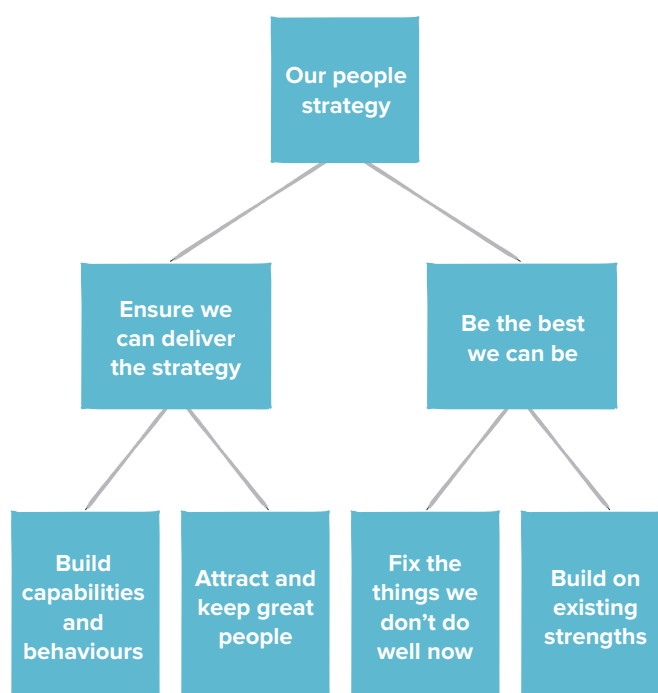
We employ 74,000 people globally. The goal of our people strategy is to ensure that we have the right people in the right place at the right time to deliver our ambition; and that our colleagues feel involved, equipped, and have the confidence to do their best work.

To deliver our ambition, we need to become ONE company, which we will do by building on the already strong local identities, teams and communities across all our retail brands and functions. We are investing in working better together, to make the most of our scale and to better serve our customers. We know from our strong and improving engagement scores (a grand mean score of 4.2 out of 5, with 61% of our people fully engaged) that those local identities provide a brilliant sense of being part of a team that is highly valued by our colleagues.

As we transform our business, we need all our colleagues to feel energised and excited to play their part. We have already started to engage our leadership populations in making our strategy more robust, and, in the year ahead, will involve more of our colleagues in testing, delivering and implementing our ambition.

To ensure everyone feels able to do their best work, we will continue to invest in learning and on-the-job training, as well as providing opportunities for colleagues to connect with customers as illustrated in these case studies.

Our people strategy



Case study: LEAD programme

Kingfisher's LEAD programme, sponsored by our most senior leaders, is building a pipeline of talent for senior roles.

15 colleagues completed the first intake, with eight having already taken bigger roles within the company. Another 24 high-performing managers joined the programme in December 2015 and are now building the leadership capabilities that will be essential for them to transition into more complex roles in the future.

Case study: Re-thinking customer service from a customer perspective

Castorama colleagues from multiple countries are talking to customers in their homes about the improvements they are carrying out.

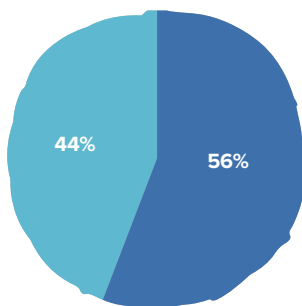
These visits help colleagues see first-hand our customers' reality and the barriers to completing their home improvements. In Poland alone 10,000 colleagues visited customer homes in 2015. The project is providing insights that will inform future solutions and is building a great sense of camaraderie among colleagues as they work towards a common goal.



Gender diversity

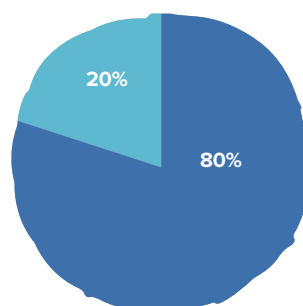
We value diversity in all its forms and it is our policy to ensure there is no discrimination in employment on the grounds of race, gender, age, disability, marital status, sexual orientation or religious belief. The charts below show gender diversity on our Board, among our senior managers and across our total workforce. For more information please see the Corporate Governance report on page 39 and the Directors' report on page 76.

Board



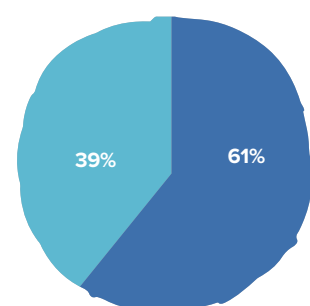
Male 56%
Female 44%

Senior Management



Male 80%
Female 20%

Total workforce (FTE)



Male 61%
Female 39%

Road map and milestones

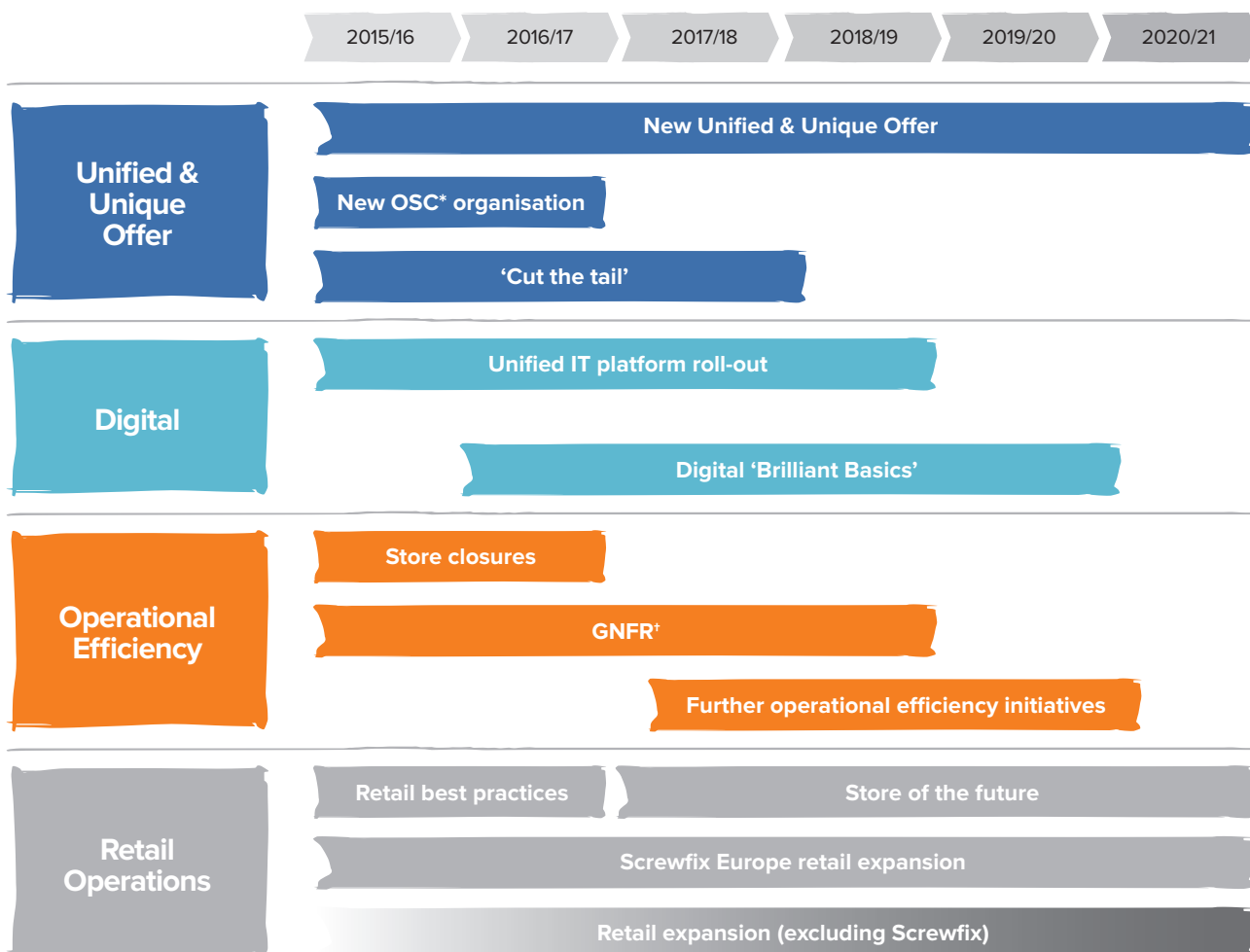
We have a very clear longer-term road map for our strategy, together with operational milestones for the first year.

Our road map

The longer-term road map is aligned to the three key strategic pillars: creating a unified, unique and leading offer, driving our digital capability and optimising our operational efficiency, alongside work on our retail operations.

Key elements include the development of the unified and unique offer, which started to arrive in stores this spring with the 'core essentials' range. We are also developing the new organisational structure for this part of the business, including a board structure led by Chief Offer & Supply Chain Officer Arja Taaveniku. Her board includes a sustainability director to ensure that sustainability is integrated in our supply chain.

We will continue with the retail expansion of Screwfix Europe, including more stores in Germany, as well as the development of the 'Brilliant Basics' plan to deliver a step-change in Kingfisher's omnichannel offer to customers. The roll-out of the unified IT platform will continue, starting with B&Q UK & Ireland and Castorama France.



* Offer and Supply Chain
† Goods not for resale

Progress on our first 'sharp' decisions

We have made solid progress on the first 'sharp' decisions announced in 2015.

Customer & Offer	<ul style="list-style-type: none"> ✓ Develop unified unique outdoor and bathroom ranges ✓ Develop unified 'core essential' offer ✓ Develop plan to cut existing product tail
Retail Operations	<ul style="list-style-type: none"> ✓ Space rationalisation: <ul style="list-style-type: none"> ✓ Close c.15% surplus space at B&Q ✓ Close our few loss-making stores in Europe ✓ Pilot Big Box best practice across Europe ✓ Extend Screwfix trial in Germany
Infrastructure & Processes	<ul style="list-style-type: none"> ✓ Pilot unified IT platform, then accelerate ✓ Unify £1.2bn goods not for resale (GNFR) process
People	<ul style="list-style-type: none"> ✓ Finalise new leadership team and wider organisation structure

Operational milestones

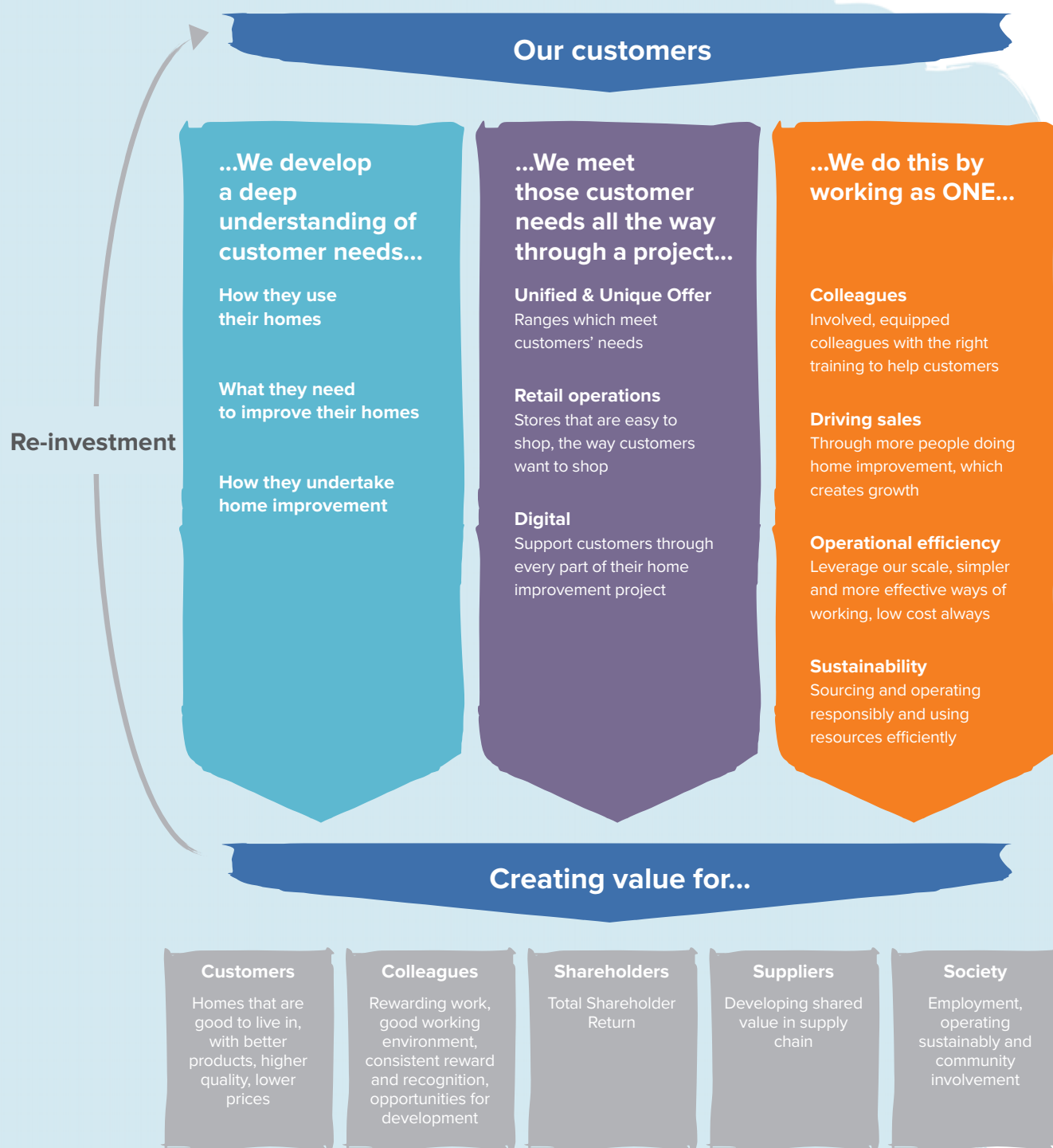
We have set operational milestones for the first year (FY 2016/17) based on our strategic pillars.

These include: achieving 4% unified cost of goods sold, driven by the phased launch of the first 20 categories of 'core essential' ranges, building the digital 'brilliant basics' platform for B&Q, and delivering the benefits of Wave 1 of the unified GNFR programme.

Unified & Unique Offer	<ul style="list-style-type: none"> Deliver Offer & Supply Chain Organisation (OSC) Achieve 4% unified COGS
Digital	<ul style="list-style-type: none"> Complete unified IT platform roll-out in B&Q and start Castorama France roll-out Build digital 'Brilliant Basics' platform for B&Q
Operational Efficiency	<ul style="list-style-type: none"> Complete closure of c.15% surplus space at B&Q Deliver benefits from unified Wave 1 of GNFR programme

Our business model

We want to create good homes by making home improvement accessible for everyone. We will achieve this by delivering on our strategy and thereby creating value for our customers, our colleagues, our shareholders, our suppliers and broader society.



Read about our strategy on pages 14 to 19



Karen Witts
Chief Financial Officer

A summary of the reported financial results for the year ended 31 January 2016 is set out below:

	2015/16	2014/15	% Reported Change	% Constant Currency Change
Adjusted sales	£10,331m	£10,605m	(2.6)%	+3.8%
Statutory sales ⁽¹⁾	£10,441m	£10,966m	(4.8)%	+1.0%
Retail profit	£746m	£742m	+0.7%	+7.4%
Adjusted pre-tax profit	£686m	£684m	+0.3%	
Statutory pre-tax profit ⁽¹⁾	£512m	£644m	(20.5)%	
Exceptional items (post-tax)	£(99)m	£71m	n/a	
Adjusted basic earnings per share	22.0p	21.3p	+3.3%	
Basic earnings per share	17.8p	24.3p	(26.7)%	
Dividends – Ordinary	10.1p	10.0p	+1.0%	
– Special	–	4.2p	n/a	
Effective tax rate	26%	27%	+1%	
Lease adjusted return on capital employed	12.3%	11.9%	+40bps	
Net cash	£546m	£329m		
Lease adjusted net debt to EBITDAR	2.0	2.2		
Capital Return				
– Share buyback	£200m	£100m		
– Special dividend	–	£100m		
Total Capital Return	£200m	£200m		

(1) Statutory results include B&Q China up to the date of disposal (30 April 2015)

Reported retail profit grew by 0.7% including £46 million adverse foreign exchange movement on translating foreign currency results into sterling. Excluding foreign exchange impacts, retail profit grew by 7.4%, reflecting a mixed picture across our major markets with the UK and Poland markets improving, together with a particularly strong performance from Screwfix, offset by soft market conditions in France. Our ongoing focus on cash and tight capital discipline meant we were able to continue to invest in the business, and also return a further £200 million to shareholders (via share buybacks) in addition to the annual ordinary dividend.

Total adjusted sales grew by 3.8%, on a constant currency basis, to £10.3 billion, with LFL sales up 2.3%. On a reported rate basis, which includes the impact of exchange rates, sales declined by 2.6%. During the year, sales growth benefited from 42 net new stores, driven by 62 Screwfix outlet openings in the UK, offset by some impact from the previously announced B&Q store closures (65 planned over two years; the first 30 closed in FY 2015/16).

On a constant currency basis retail profit of £746 million increased by 7.4% including £17 million of new country net development losses relating to Brico Dépôt Romania, Brico Dépôt Portugal and Screwfix Germany.

As previously announced, Kingfisher disposed of a controlling 70% stake in B&Q China on 30 April 2015. Since then, B&Q China has been accounted for as an investment and its results no longer consolidated in retail profit or adjusted pre-tax profit. This led to FY 2014/15 comparatives being restated, increasing both retail profit and adjusted pre-tax profit by £9 million.

IFRIC 21 'Levies' adjustments in the year relate to quarterly phasing of operating levies in France to reflect a new IFRS accounting requirement. However, they have no impact on a full year basis. Quarterly restatement data tables for FY 2014/15 have been published at: www.kingfisher.com/index.asp?pageid=59

Adjusted pre-tax profit, which excludes the impact of exceptional items, increased by 0.3% to £686 million, broadly in line with retail profit, and reflecting £46 million adverse foreign exchange movements.

Financial Review continued

Statutory pre-tax profit, which includes the impact of exceptional items before tax decreased by 20.5% to £512 million. A reconciliation from the adjusted basis to the statutory basis for pre-tax profit is set out below:

	2015/16 £m	2014/15 £m	Increase/ (decrease)
Adjusted pre-tax profit	686	684	+0.3%
B&Q China operating loss	(4) ⁽¹⁾	(9)	
Financing fair value remeasurements (FFVR)	(4)	4	
Profit before exceptional items and tax	678	679	(0.1)%
Exceptional items before tax	(166)	(35)	
Statutory pre-tax profit	512	644	(20.5)%

(1) Up to the date of disposal (30 April 2015)

For glossary of terms used in the Financial Review see page 146.

Trading review by division

France

£m	2015/16	2014/15	% Reported Change	% Constant Currency Change	% LFL Change
Sales	3,786	4,132	(8.4)%	+1.2%	(0.4)%
Retail profit	311	349	(10.9)%	(1.6)%	

Kingfisher France sales increased by +1.2% (-0.4% LFL) to £3,786 million in a broadly flat market, impacted by ongoing weak consumer confidence and subdued housing and construction activity.

Across the two businesses, three net new stores were opened and six were revamped, adding around 1% new space. 'Click, pay & collect' omnichannel capability has now been rolled out to 161 stores, up from 34 last year.

Gross margins were up 10 basis points. Continued focus on cost control helped limit cost inflation. Retail profit of £311 million was down 1.6%.

Castorama total sales increased slightly by +0.1% (-0.2% LFL) to £2,076 million. According to Banque de France data, sales for the home improvement market were broadly flat. LFL sales of outdoor seasonal products were up 1.1% and sales of indoor and building products were down 0.5%.

Brico Dépôt total sales increased by 2.5% (-0.5% LFL) to £1,710 million. This reflects store openings and a subdued house building market which for the first time in four years improved slightly, with new housing starts up 2% and planning permits up around 4%.

UK & Ireland

£m	2015/16	2014/15	% Reported Change	% Constant Currency Change	% LFL Change
Sales	4,853	4,600	+5.5%	+5.6%	+4.4%
Retail profit	326	276	+18.0%	+18.0%	

Kingfisher UK & Ireland sales were up 5.6% (+4.4% LFL) to £4,853 million benefiting from a stronger UK economy and a more buoyant housing construction market. Retail profit grew by 18.0% to £326 million. Gross margins were down 50 basis points reflecting mix effects from strong growth in Screwfix, some clearance related to the B&Q store closures and higher omnichannel sales. Tight cost control continued, driven by ongoing productivity initiatives at B&Q.

B&Q total sales increased by 1.1% (+1.9% LFL) to £3,799 million. Sales of outdoor seasonal products were down 0.3% while sales of indoor products, excluding showroom, were up 3.1%. Sales of showroom products were up 0.9%. The decision to reduce promotional activity and instead offer customers 'Every Day Great Value' in kitchens has gained momentum across the year. LFL sales have also benefited by 0.4% from sales transference associated with the planned store closures.

B&Q continued to see productivity benefits from various initiatives such as 'store friendly deliveries' (making it quicker and easier for store staff to replenish) and roller checkouts (improving customer experience as well as scanning and database accuracy). These projects were completed during the summer.

B&Q's 'Click, Pay & Collect' is now available on over 16,700 products. Total transacted online sales, including home delivery, continued to make good progress with sales growing by 29%.

Screwfix grew total sales by 26.3% (+15.3% LFL) to £1,054 million, driven by strong growth from the specialist trade desks exclusive to plumbers and electricians, strong digital and mobile growth (e.g. mobile +100%; click & collect +52%); new and extended ranges; and the continued roll-out of new outlets. 62 net new outlets were opened, taking the total to 457.

Other International

£m	2015/16	2014/15	% Reported Change	% Constant Currency Change	% LFL Change
Sales	1,692	1,873	(9.7)%	+4.8%	+2.5%
Retail profit					
Other					
International (established)	126	139	(8.6)%	+3.0%	
New Country Development	(17)	(22)	n/a	n/a	
Total	109	117	(5.8)%	+6.4%	

Other International total sales increased by 4.8% (+2.5% LFL) to £1,692 million driven by LFL growth in Poland and Russia. Retail profit increased by 6.4% to £109 million driven by Poland.

During the year seven net new stores were opened, one in Poland, one in Spain and five in Screwfix Germany, adding 1.9% more space compared to last year.

Other International (established):

Sales in **Poland** were up 3.3% (+3.6% LFL) to £987 million benefiting from new ranges. LFL sales of outdoor seasonal products were up 5.6% with sales of indoor and building products up 3.3%. Gross margins were up 10 basis points. Retail profit grew by 6.0% to £113 million supported by the sales growth, slightly higher gross margins and good cost control.

In **Russia** sales grew by 12.9% (+7.2% LFL) to £325 million reflecting strong consumer spending on durable goods early in the year in an uncertain market. Retail profit decreased to £6 million (2014/15: £10 million reported retail profit) reflecting adverse foreign currency exchange movements on the cost base. In Turkey, Kingfisher's 50% JV, Koçtaş, contributed retail profit of £7 million (2014/15: £9 million reported retail profit). In Spain sales declined by 3.2% (-5.0% LFL) to £269 million, delivering a breakeven result (2014/15: £2 million reported retail profit).

New Country Development:

New Country Development includes operations in Romania, Portugal and Germany. Sales were £111 million with losses of £17 million (2014/15: £22 million reported retail loss), reflecting a more challenging environment for Brico Dépôt Romania (£9 million loss) and five new outlets as planned in Screwfix Germany (£7 million loss).

Exceptional items (post tax) were a charge of £99 million (2014/15: £71 million gain) as detailed below:

	2015/16 £m Gain/(charge)	2014/15 £m Gain/(charge)
UK & Ireland and Europe restructuring	(305)	(17)
Profit on disposal of B&Q China	143	–
Impairment of Brico Dépôt Romania	(18)	–
Property and other disposals ⁽¹⁾	14	(3)
Transaction costs	–	(15)
Exceptional items before tax	(166)	(35)
Exceptional tax items	67	106
Net exceptional items	(99)	71

(1) Disposal of properties includes the disposal of a property company which held 3 non-operational properties

As previously announced, B&Q will close around 15% of space by the end of FY 2016/17. There will also be a small number of closures of loss making stores across Europe. During the year, 30 B&Q stores were closed and we remain on track to close the remaining 35 stores in FY 2016/17. We also announced the closure of two loss making Castorama stores in France and one in Russia. This is expected to give rise to an exceptional charge of around £350 million, relating principally to onerous lease provisions. An exceptional charge for £305 million was reported in FY 2015/16.

The disposal of a controlling 70% stake in B&Q China for a gross cash consideration of £140 million, resulted in a gain of £143 million.

An impairment charge, primarily relating to goodwill recognised on our acquisition in Romania, was also recorded, reflecting the loss making performance of the business.

Adjusted basic earnings per share grew by 3.3% to 22.0p (2014/15: 21.3p), which excludes the impact of B&Q China operating losses, exceptional items, financing fair value remeasurements and the effect of prior year tax items. Including these items **basic earnings per share** decreased by 26.7% to 17.8p (2014/15: 24.3p) as set out below:

	Earnings £m	2015/16 EPS pence	Earnings £m	2014/15 EPS pence
Adjusted basic earnings per share	509	22.0	502	21.3
B&Q China operating loss	(4)	(0.2)	(9)	(0.4)
Net exceptional items	(99)	(4.3)	71	3.1
Prior year tax items	9	0.4	6	0.2
FFVR (net of tax)	(3)	(0.1)	3	0.1
Basic earnings per share	412	17.8	573	24.3

Dividends and capital returns

The Board has proposed a final dividend of 6.92p which results in a full year dividend of 10.1p, an increase of 1.0% (2014/15: 10.0p). The full year dividend is covered 2.2 times by adjusted earnings (2014/15: 2.1 times). We continue to be comfortable with medium term dividend cover in the range of 2.0 to 2.5 times, a level the Board believes is prudent and consistent with the capital needs of the business.

The final dividend will be paid on 20 June 2016 to shareholders on the register at close of business on 6 May 2016. 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 5 May 2016. For those shareholders electing to receive the DRIP the last date for receipt of election is 27 May 2016.

In addition to the annual ordinary dividend, Kingfisher returned £200 million (56.0 million shares) of surplus capital to shareholders via share buyback during FY 2015/16. On 25 January 2016 Kingfisher announced its intention to return around a further £600 million of surplus capital to shareholders over the next three years. This is expected to be via share buyback and, since year end, the first £50 million of shares (15.5 million shares) have been repurchased.

Taxation

Kingfisher's effective tax rate is sensitive to the blend of tax rates and profits in the Group's various jurisdictions. The adjusted effective rate of tax, calculated on profit before exceptional items, prior year tax adjustments and the impact of rate changes, was 26% (2014/15: 27%). This effective rate of tax is lower than in FY 2014/15 reflecting changes in corporate tax rates (primarily UK) and a shift in the profit mix from France to the UK as a result of foreign exchange movements and expansion of the Screwfix business.

The overall rate of tax includes the impact of exceptional items and prior year adjustments. The impact of such items reduced the rate from 26% to 20% reflecting tax relief on exceptional items as well as the release of prior year provisions which have either been agreed with tax authorities, reassessed, or time expired.

Effective tax rate calculation	Profit £m	Tax £m	2015/16 %	2014/15 %
Profit before tax and exceptional items	678	(176)	26	27
Exceptional items	(166)	67		
Prior year items		9		
Total – overall	512	(100)	20	11

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

Jurisdiction	Statutory tax rate 2016/17	Statutory tax rate 2015/16
UK	20%	20%
France	34%	34% – 38% ⁽¹⁾
Poland	19%	19%

(1) The surcharge to the French tax rate for businesses with turnover over €250m has not been extended beyond the 2015/16 accounting period

Tax contribution

Kingfisher makes a significant economic contribution to the countries in which it operates. In 2015/16 it contributed £1.7 billion in taxes it both pays and collects for these Governments. The Group pays tax on its profits, its properties, in employing 74,000 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 on page 28:

Financial Review continued

Total taxes paid as a result of Group operations

	2015/16 £bn	2014/15 ⁽¹⁾ £bn
Taxes borne	0.7	0.7
Taxes collected	1.0	0.9
Total tax contribution	1.7	1.6

(1) 2014/15 comparatives have been restated to exclude the Tax Contribution of Chinese operations and are presented on a constant currency basis

Kingfisher participates in the Total Tax Contribution survey that PwC perform for the Hundred Group of Finance Directors. The 2015 survey ranked Kingfisher 32nd (2014: 33rd) for its Total Tax Contribution in the UK. In 2015, 105 (2014: 103) companies contributed to the survey.

Taxation governance and risk management

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

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

Lease adjusted return on capital employed (ROCE)

Previously management used Kingfisher Economic Profit (KEP) as the main measure of return on capital. Following a recent review, the decision was taken to move to the more widely recognised and understood measure of ROCE, now used in the capital investment process as a key indicator of efficiency and profitability, to assess performance and drive returns in strategic plans. Information on the calculation of lease adjusted ROCE is included in the glossary.

In FY 2015/16 post-tax lease adjusted ROCE was 12.3%, up from 11.9% in the previous year (compared to Kingfisher's lease adjusted weighted average cost of capital (WACC) of 7.4%). This was primarily driven by UK performance and a reduction of capital employed following store closures and disposal of non-operational assets. ROCE by geographic division is analysed below:

	Sales £bn	Proportion of Group sales %	Capital Employed (CE) £bn	Proportion of Group CE %	ROCE 2015/16	ROCE 2014/15
France	3.8	37%	1.6	25%	14.1%	14.4%
UK & Ireland	4.9	47%	3.9	58%	13.1%	12.1%
Other						
International	1.7	16%	1.1	16%	10.2%	9.7%
Central			0.1	1%		
Total	10.3		6.7		12.3%	11.9%

Free cash flow

A reconciliation of free cash flow is set out below:

	2015/16 £m	2014/15 £m
Operating profit (before exceptional items)	692	687
Other non-cash items ⁽¹⁾	265	275
Change in working capital	31	(93)
Pensions and provisions	(42)	(40)
Operating cash flow	946	829
Net interest paid	(12)	(8)
Tax paid	(118)	(146)
Gross capital expenditure	(333)	(275)
Free cash flow	483	400
Ordinary dividends paid	(232)	(234)
Special dividend paid	–	(100)
Share buyback	(200)	(100)
Share purchase for employee incentive schemes	(16)	(17)
Disposal of B&Q China (net of disposal costs)	134	–
Disposal of Hornbach	–	198
Disposal of assets ⁽²⁾	43	50
Other ⁽³⁾	(5)	4
Net cash flow	207	201
Opening net cash	329	238
Reclassification of cash in B&Q China to assets held for sale	–	(57)
Other movement including foreign exchange	10	(53)
Closing net cash	546	329

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

(2) Disposal of assets includes the disposal of an overseas property company in FY 2015/16

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

Net cash at the end of the year was £546 million (2014/15: £329 million net cash).

Free cash flow of £483 million was generated in the year, an increase of £83 million against the prior year, due primarily to favourable movements in working capital, partly offset by higher capital expenditure.

Of free cash flow, £432 million was returned to shareholders in the form of the ordinary dividend and share buybacks.

Gross capital expenditure for the year was £333 million (2014/15: £275 million). Of this around 24% was invested in new stores and relocations, 40% on refreshing and maintaining existing stores and 36% on IT, supply chain and omnichannel development.

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

Financial risk management

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

Management of balance sheet and liquidity risk and financing

The Group finished the year with £546 million of net cash on the balance sheet. However the Group's overall leverage is more significant when including capitalised lease debt that in accordance with accounting standards does not appear on the balance sheet. The ratio of the Group's lease adjusted net debt (capitalising leases at 8 times annual rent) to EBITDAR on a moving annual total basis is 2.0 times as at 31 January 2016. At this level the Group has financial flexibility whilst retaining an efficient cost of capital.

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

	2015/16 £m	2014/15 ⁽¹⁾ £m
EBITDA	941	953
Property operating lease rentals	402	415
EBITDAR	1,343	1,368
Financial net cash	(546)	(329)
Property operating lease rentals (8x) ⁽²⁾	3,216	3,320
Lease adjusted net debt	2,670	2,991
Lease adjusted net debt to EBITDAR	2.0	2.2

(1) Restated to exclude contribution from China following its disposal in April 2015

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

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

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

The Group has a £225 million committed facility that expires in 2021 and was undrawn at 31 January 2016. The next significant debt maturity is in May 2016 when the Group is required to repay US Private Placement debt with a notional value of \$68 million.

The maturity profile of Kingfisher's debt is illustrated at: www.kingfisher.com/index.asp?pageid=74

Capital risk management

The Group's objectives when managing capital are:

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

The Group manages its capital by:

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

Kingfisher Insurance 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.

Disposals

On 22 December 2014, Kingfisher announced a binding agreement with Wumei Holdings Inc. ("Wumei") for Wumei to acquire a controlling 70% stake in its B&Q China business. Gross cash proceeds of £140 million were received in April 2015 following MOFCOM (Chinese Ministry of Commerce) approval. Kingfisher has, with the agreement of Wumei, exercised its option to dispose of the remaining 30% economic interest for a fixed price of the Sterling equivalent of RMB 582 million (£62 million at 31 January 2016). This option was exercised on 23 March 2016. The transaction is subject to regulatory approval and, if approved, is expected to close later this year.

During the year Kingfisher completed the sale of an overseas property company (that owned three freehold properties) for proceeds of £18 million.

Pensions

At the year end, the Group had a net surplus of £159 million (2014/15: £112 million net surplus) in relation to defined benefit pension arrangements, of which a £246 million surplus (2014/15: £194 million surplus) was in relation to the UK scheme. The favourable movement is driven by the higher discount rate applied to the scheme liabilities, only partially offset by the fall in asset values over the year, that includes the impact of the purchase of the annuity described below. This accounting valuation is sensitive to a number of assumptions and market rates which are likely to fluctuate in the future.

To aid understanding of the impact that changes to the assumptions could have on the reported UK pension position, we have included a sensitivity analysis as part of the pension disclosure in note 27 to the Group Financial Statements. Further details of key assumptions are also contained within the note.

During the year the UK pension scheme purchased a medically underwritten annuity for £228 million from a major insurance company. The annuity targeted the top layer of the scheme's pensioner liabilities removing the longevity risk associated with these members, and using medical profiling to achieve the most favourable outcome. Measured against the long-term funding objective that has been agreed between Kingfisher and the Trustee, the transaction generated a modest funding improvement as well as a significant reduction in funding risk.

Property

Kingfisher owns a significant property portfolio, most of which is used for trading purposes. A valuation was performed for internal purposes in October 2015 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 £2.9 billion at year end (2014/15: £2.8 billion (excluding China following disposal)).

	2015/16 £bn	2015/16 Yields	2014/15 £bn	2014/15 Yields
France	1.4	7.7%	1.3	8.0%
UK	0.8	6.1%	0.8	6.5%
Poland	0.5	7.8%	0.5	8.1%
Other	0.2	—	0.2	—
Total	2.9		2.8	

This is compared to the net book value of £2.4 billion (2014/15: £2.4 billion) recorded in the financial statements (including investment property and property assets held for sale). Balance sheet values were frozen at 1 February 2004 on the transition to IFRS.

Financial Review continued

As part of ONE Kingfisher, a review of sales area reporting was completed to ensure consistency across our operating companies. This resulted in a restatement of sales areas, giving rise to a 7% increase across Kingfisher, details of which are below:

At 31 January 2016	Restated sales area (000s m ²)	Previous sales area (000s m ²)	Change (000s m ²)
Castorama	1,240	1,121	119
Brico Dépôt	825	664	161
France	2,065	1,785	280
B&Q UK & Ireland	2,414	2,414	–
Screwfix	28	28	–
UK & Ireland	2,442	2,442	–
Poland	621	540	81
Portugal	12	12	–
Romania	114	114	–
Russia	206	206	–
Spain	182	182	–
Screwfix Germany	1	1	–
Other International	1,136	1,055	81
Total Group	5,643	5,282	361

Restatements of Kingfisher's quarterly space for the previous three years are available in data tables at: www.kingfisher.com/index.asp?pageid=59

Retail profit on a fully rented basis

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

	France	UK & Ireland	Poland
Retail Profit %	8.2%	6.7%	11.5%
Adjustment to Leasehold Basis	(2.5)%	(0.8)%	(3.5)%
Retail Profit % on Leasehold Basis	5.7%	5.9%	8.0%

Sustainability and integrated reporting

Kingfisher is committed to being a truly sustainable company, one which has a positive impact on people and the environment. To achieve this, we are working to integrate sustainability at every stage of the value chain – from the way we design and source our customer offer, to the way we run our operations and work with suppliers. This includes integrating sustainability considerations into our capital expenditure processes.

Our work on sustainability generates value for the business by giving us access to new revenue opportunities, building customer preference, improving supply chain resilience and enhancing efficiency and productivity. For example, sales of our sustainable home products in 2015/16 reached £2.9 billion, around 28% of total revenues, achieving our 2016/17 milestone ahead of schedule. This includes reaching 96% responsibly sourced timber and paper in our products, well on track for our target of 100% by 2020.

We have helped customers save 10.8 TWh of energy every year from the energy-saving products and services they have purchased from us since 2011/12. As part of the development of our unified offer we have expanded our range of energy efficient LED light bulbs and reduced the cost for customers thanks to technological advances and by buying increased volumes from a smaller group of suppliers. LED is expected to make up 61% of our new unified light bulb range.

We are focusing on improving energy efficiency and installing renewable generation on our buildings which has helped cut our property carbon intensity (CO₂ equivalent per m² reported floor space) by 16% since 2010/11. We have installed solar photovoltaic panels at two stores and three distribution centres to date with a generation capacity of 4.1MW, and further renewable installations are planned in the UK, France, Poland and Spain during 2016. We expect to invest £50 million in renewable technology by end 2017, generating 5% of our electricity needs, reducing our annual carbon footprint by 11,400 tCO₂ and reducing energy costs by £10.2 million per annum at today's prices. We also saved £5.5 million for the business since 2010 through increasing recycling.

We aim to report in an increasingly integrated way, incorporating our financial, economic, social and environmental performance and all the factors that contribute to our business success. Integrated reporting helps us make balanced decisions in the business and helps investors and stakeholders assess our wider contribution to society and the business value of our work on sustainability.

Human rights

We respect human rights and take steps to protect the rights of our employees, workers in our supply chain and others affected by our business activities. We are guided by international standards such as the UN's Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

During 2015, we updated our human rights standards for suppliers and launched our company-wide Ethical Sourcing Policy supported by Minimum Workplace Standards. We are communicating our requirements and processes internally and to suppliers and are working with Sedex, the supply chain platform (www.sedexglobal.com), to enable us to monitor supplier performance. We work with suppliers to address cases of non-compliance with our Policy or Standards through corrective action plans and will, in the case of severe non-compliance where there is no evidence of remediation, stop or cancel orders. The Standards can be found on the Company's website (www.kingfisher.com/netpositiveresources).

The Company is a member of the UN Global Compact and we report our progress against its 10 principles annually through our Sustainability Report. We support the introduction of the UK's Modern Slavery Act and will comply with its requirements.

Risks

Given the scale of our businesses, the Board of Directors recognises that the nature, scope and potential impact of our business and strategic risks are subject to constant change. As such, the Board has implemented the necessary framework to ensure that it has sufficient visibility of the principal risks and the opportunity to regularly review the adequacy and effectiveness of our mitigating controls and strategies. The approach combines a top-down strategic view at Company level and a bottom-up operational view of the risks at Operating Company level.

This year the Company has carried out a strategic review and prepared a plan for the next five years. The Board has considered the risks following the strategic review of the business. Even with the changes made to our plan, our risks remain unchanged, apart from one. The risk relating to our investments failing to deliver has been separated into two risks, reflecting the importance of the Unified IT platform in delivering the strategic initiatives. We have

also added information relating to the movement in the level of risk exposure during the year. We have considered the risk exposure in the last year and whether the risk exposure is increasing, decreasing or remains unchanged.

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

The Corporate Governance report on page 39 describes the systems and processes through which the directors manage and mitigate risks. The Board considers that the principal risks to achieving its strategic aims are set out below.

Strategic Risks

Unified and unique offer

Principal risk	How we manage and monitor the risk	Movement in the period
Organising Kingfisher as a more unified company with a unified customer offer rather than a collection of individual businesses fails to deliver the anticipated benefits	<p>We are organising the business differently, becoming more of a single unified company rather than a collection of individual businesses. The new Leadership Team structure reflects the new organisational design.</p> <p>As with all initiatives undertaken, the Leadership Team monitors the programme and benefits realisation on a regular basis, ensuring sufficient resources are available to deliver the requirements. A Business Transformation function has been created to coordinate and monitor progress. KPIs and key milestones have been identified and tracking put in place.</p> <p>The Board also monitors progress via regular updates from the Business Transformation function and the leaders of the strategic initiatives.</p> <p>We will continue to ensure that changes are only implemented once we have completed an appropriate level of planning and testing, relative to the risk. In addition, we ensure that the assumptions and insight that support the introduction of new products or services will deliver the benefits to both our customers and our shareholders prior to their introduction.</p>	No Change. At this stage of the transformation our risk exposure has not changed in the last year. As we progress through the transformation the level of risk we are exposed to will increase as larger parts of our structure and supply chain are impacted. Therefore in each area we are ensuring we have plans in place to mitigate the increasing risk.
We fail to deliver the benefits of a more unified and unique offer and standardised activities and processes	<p>We aim to offer customers a product range which is differentiated from that of our competitors through innovation and exclusivity. We are creating a complete, unified, unique and leading offer. In doing so we are developing a new organisational design and a new set of accountabilities. We have:</p> <ul style="list-style-type: none"> project teams to identify the optimum opportunities for presenting the same products in our stores across Europe in six leading ranges with bathroom and outdoor being focused upon first; strong project management processes in place, including capturing lessons learned for continuous improvement; initiatives to take the best practice and best product from across the Company; validation and governance processes in place for business case approvals of range and procurement decisions, including approvals of Operating Company-based exceptions; clearly defined range and purchasing standards, principles and methodology with guidance and support from expert leads; performance of the ranges and brands is tracked and strategies updated accordingly; and a strong sourcing network which is focused on securing Company buying opportunities. 	No Change. We believe our risk exposure is currently stable given the stage of the project. As we progress and the level of Cost of Goods Sold (COGS) impacted increases this may change.
A lack of perceived price competitiveness, particularly when compared to more discount based or online competitors, would affect our ability to maintain or grow market share	<p>Significant investment in pricing to reinforce and communicate our value credentials.</p> <p>This is supported by:</p> <ul style="list-style-type: none"> the use of improved customer insight and analytical tools to optimise product ranging and pricing strategies; and more targeted use of online and mass media tools to communicate and reinforce price perception (for example, price comparison websites, such as www.kitchen-compare.com and www.bathroomcompare.com in the UK). 	No Change. This continues to be a key area of focus for us and we believe we are taking the necessary steps to stabilise our risk exposure.

Risks continued

Unified and unique offer continued

Principal risk	How we manage and monitor the risk	Movement in the period
We fail to deliver our sustainability targets due to not integrating our sustainability plan into the day-to-day operations of the business	<p>Our commitment to sustainability remains one of Kingfisher's key values and across the organisation we continue to ensure that we engage with and take advice from our expert partners (BioRegional and Forum for the Future). We have the following steps in place to manage and monitor this risk:</p> <ul style="list-style-type: none"> • as part of our business planning process we set and annually review sustainability plans for each business; • monthly Board reports monitor the progress of our largest Operating Companies in achieving their sustainability targets; • data is reported annually to the Company and signed off by the local boards; • within each business responsibility has been assigned to a team or individual for the delivery of the sustainability targets; • meetings of the sustainability teams are held twice a year to exchange best practice and progress common initiatives; and • we have appointed a Sustainability Director for Offer and Supply Chain to develop specific delivery plans for implementing the Company's sustainability targets and policies relating to products and supply chain. 	No Change. The risk exposure in this area may increase as we develop our unified offer and we will be more reliant on sustainability being integrated in the operations.

Digital, Retail operations, Unified and unique offer

Principal risk	How we manage and monitor the risk	Movement in the period
We fail to create a culture of innovation in our offer, format and digital channels to stimulate consumer spend and deliver desired sales growth	<p>We continue to invest in our omnichannel strategy and technologies, and take learnings from our businesses that have well developed models e.g. Screwfix. We are developing a platform which will be rolled out across the Company to offer alternative channels for customers. Our investment in the IT strategy programme will provide systems and capabilities to respond to the changing ways that customers shop. 'Brilliant Basics' are being developed for each step of the customer journey. This is managed and monitored by our Digital Forum. We are enhancing the skills and experience in the Digital area to deliver the strategy.</p> <p>We continue to invest in our existing store portfolio whilst seeking to minimise its cost base and optimise sales densities. Where there are opportunities to expand and innovate we will do so using a combination of existing and new formats. We will pursue low risk market entry and new flexible store format strategies based on the utilisation of current skills and capabilities available within the Company.</p>	No Change. We are exposed to risk in this area, particularly in failing to keep pace within the digital area. However, we feel the steps we have taken this year have ensured that we are better positioned to fulfil our digital ambitions.

Operational efficiency

Principal risk	How we manage and monitor the risk	Movement in the period
Our investments fail to deliver value to the Company	<p>We continually review and assess opportunities for expansion, in terms of both online and bricks and mortar retail, across all of the territories and regions in which we operate.</p> <p>We are investing in our financial and operational systems to develop a Company-wide IT solution. The Unified IT platform is supported and monitored via the programme team and programme office. Each Operating Company is represented and the idea is to standardise as far as possible. Regular updates are given to the Leadership Team and all decisions are approved in line with our investment methodology.</p> <p>Country and market entry strategies are based on the application of a proven operating model and supported by the part of the business with the most relevant experience, capabilities and capacity to successfully lead a market entry strategy.</p> <p>We also ensure that any proposed acquisition or market entry strategy is subject to an appropriate level of challenge and due diligence from both the Leadership Team and specialist Company functions which may include Tax, Treasury, Legal, Finance and Risk and Internal Audit. This due diligence is also supported by external and independent advisers when necessary.</p> <p>Following an acquisition, integration plans are prepared and monitored at Operating Company and Company levels. Existing management teams are supplemented with Company resources to monitor and assist with the integration.</p> <p>All investments are evaluated and monitored via our post investment review methodology in place across the business.</p>	Increasing. We are investing significant capital expenditure over the first three years of the transformation. This is therefore an area of increased focus for us to ensure we take the steps to deliver value.

Operational efficiency continued

Principal risk	How we manage and monitor the risk	Movement in the period
Our Unified IT platform programme fails to deliver the requirements in line with the plan needed to enable and support the delivery of the Company strategy	<p>The key aims of the Unified IT platform are to meet changing customer needs, make it easier for stores to serve customers, establish unified and integrated processes and systems across the Company and build a flexible and future proof systems architecture. The Unified IT platform will underpin the delivery of the other strategic pillars. It represents a significant change to the business. To ensure this change is managed alongside the interdependencies with the other projects, the programme is monitored via the Transformation reporting process.</p> <p>Within the programme:</p> <ul style="list-style-type: none"> • a rigorous change control procedure is in place with the Leadership Team having final approval on all functional changes; • an extensive pilot has been completed, testing the end-to-end system and circa 80-90% of the overall functionality; • the roll-out plan avoids a 'big bang' implementation approach, instead gradual increments are implemented over a short period of time, ensuring dual running kept to a minimum and allowing any issues to be identified and resolved before moving on; and • the approach to implementation and business change has been established by the first Operating Company in the roll-out and is the foundation for all other roll-outs. <p>In order to support the Company strategy it is essential that the solution takes advantage of emerging technologies and trends. Applications are being provided which provide flexibility to areas where innovative ideas are most likely, tools are typically agnostic and therefore can be interchanged in the event this is required. The digital IT team is integrated within the overall IT function with common release management and operations in place.</p> <p>Maintaining a team with the necessary skills, expertise and knowledge is important to maintain the pace and to mitigate risk of roll-out. We have used our existing partners to support our needs in some areas. We have maintained a central team who established the template and we supplement resources with local roll-out teams.</p> <p>The Leadership Team and the Board also receives regular updates to monitor progress.</p>	No Change. Whilst we have successfully completed our pilot and roll-out has started, and is progressing to plan, we still have the majority of the implementation to deliver across our estate, therefore we feel that the risk remains unchanged.
We fail to identify and maximise potential cost reductions and efficiency savings	<p>Ensuring we operate efficiently and reduce our costs is a key area of focus for us. As part of our five-year planning process each business reviews its cost base and identifies potential savings which are then monitored as part of the budgeting and forecasting processes.</p> <p>As part of our investment in IT we have identified a number of benefits and benchmarked these externally.</p> <p>One of our strategic pillars is optimising our operational efficiency which is driven by our goods not for resale (GNFR) opportunity. A project team is in place to review categories of spend across the Company and not only identify cost savings but also opportunities to work in a more effective way.</p> <p>The project teams are supported by a Steering Group whose responsibilities include monitoring plans, milestones and the financial impact for each category. New category solutions, including process changes, are reviewed in detail with operational experts, and where appropriate on a store-by-store basis. All aspects are appropriately considered before decisions are made.</p>	No Change. Wave 1 is progressing well and therefore our risk exposure in this area has remained stable.

Risks continued

People

Principal risk	How we manage and monitor the risk	Movement in the period
We do not make the necessary investment in our people to ensure that we have the appropriate capacity, skills and experience	<p>Across our businesses we are developing our talent and building our leadership capacity. Specific examples of this include:</p> <ul style="list-style-type: none"> • The Chief People Officer is leading the work to improve our capabilities, ensuring we have effective KPIs and relevant reward structures. We are aligning reward structures across the Company. • We continue to invest in development activities for our store-based colleagues and in how we support and recognise the role of our customer advisers across the organisation. • We are creating a strong pipeline of developing talent through structured programmes including graduate and high potential schemes, for example the LEAD programme for the development of senior leaders. 	No Change. We now have a clear understanding of the scale of the change and plans in place to deliver a more unified Company.

Operational risks

Principal risk	How we manage and monitor the risk	Movement in the period
Uncertainty surrounding the resilience of the global economy and increased geopolitical volatility may impact both consumer confidence and the long-term sustainability and capabilities of our supplier base	<p>The spread of countries within which the Company operates aids in the mitigation of this risk. However, with continuing market volatility and uncertainty across all of the economies in which we operate, particularly within the Eurozone, we continue to monitor potential exposures and risks and provide effective risk management solutions to both our businesses and our strategic suppliers. These include:</p> <ul style="list-style-type: none"> • the provision of supply chain finance programmes to support suppliers; • support from a strong portfolio of international banking partners that provide flexibility, access to funding and reliable local retail cash and card payment processing services; • diversification of cash holdings across a number of financial institutions with the strongest short-term credit rating; • an appropriate and prudent mix of hedging policies, cash deposits and debt financing to minimise the impact of foreign exchange currency volatility on the Company; • the geopolitical drivers for uncertainty and volatility in the Eurozone are being monitored continuously, such that if risks escalate, measures are implemented to ensure there is sufficient and co-ordinated contingency planning; • a cross-functional steering group established to monitor developments in Russia, consider business continuity action and undertake scenario planning; and • active monitoring of the Brexit situation via a cross-functional team consisting of our Government Affairs, Treasury and Tax teams. Work has begun to consider the implications of Brexit, including presenting potential implications of this to the Board. 	Increasing. There are a number of uncertainties relating to the UK's potential exit from the EU and heightened geopolitical tensions within some of our markets.
We fail to maintain a safe environment for our customers and store colleagues which results in a major incident or fatality that is directly attributable to a failure in our health and safety management systems	<p>With 74,000 employees and millions of customers visiting our stores each week, robust health and safety systems are a priority. The Board is committed to creating and sustaining a safe environment for both our staff and customers and regularly reviews and challenges health and safety performance, standards and targets across our businesses.</p> <p>As regulatory requirements vary from country to country, each Operating Company is required to designate a director with specific responsibility for health and safety. This person is then responsible for ensuring that a written health and safety policy is communicated, that appropriate health and safety arrangements are in place to protect our employees and customers and that we comply with local regulatory requirements. These individuals are supported by Health & Safety managers who are all members of our Safety Network.</p> <p>We also have Company-wide health and safety minimum standards in place to ensure consistent compliance across the Company.</p> <p>The Company Health & Safety Committee sets the policy and standards for the Company.</p> <p>Compliance is monitored across our businesses through a programme of self-certification and health and safety audits, with issues reported through local Audit Committees and escalated to the Leadership Team, Audit Committee or Board where necessary.</p>	No Change. Our Safety Network is embedded in the business and is working with the Operating Companies to ensure our minimum standards are maintained during the transformation and adopted in new areas as needed.

Operational risks continued

Principal risk	How we manage and monitor the risk	Movement in the period
Kingfisher's reputation and brand are affected by a major environmental or ethical failure, a significant corporate fraud or material non-compliance with legislative or regulatory requirements resulting in punitive or custodial procedures	<p>Both employees and suppliers working for or with Kingfisher must conduct themselves according to our minimum standards of ethics and behaviours as defined by our Code of Conduct. Responsibility for compliance with our Code of Conduct rests with each Operating Company Chief Executive and appropriate resources are available to our businesses to ensure that both staff and suppliers are aware of and comply with the Code, and our businesses can manage the legislative or regulatory challenges presented by their respective jurisdictions.</p> <p>We have policies and procedures in place to support each of the environmental, ethical, fraud, legislative and regulatory areas. Experts in each field monitor and manage the risk in their respective areas at a local level and are supported by Company functions. For any new requirements introduced project teams are put in place to identify the additional steps needed and to ensure these are adopted across the Company. The Audit Committee and the Board receive information on any changes in this area and monitor any issues which occur.</p>	No Change. Going forward some of our strategic initiatives may increase our exposure to regulatory and legislative requirements. However, we are putting steps in place to mitigate this.

Viability statement

In accordance with provision C2.2 of the 2014 UK Corporate Governance Code, the Directors have considered the prospects of the Company over a period longer than the 12 months required by the going concern provision.

The Board has concluded that the period for this review should be three years in line with the usual business planning period. However, for this year, as the Company has carried out a strategic review covering five years, our viability assessment has been carried out over a five year period to January 2021. By selecting the viability review period as five years in line with the strategic planning process the Board has been able to review sufficient information to form a reasonable expectation as to the Company's longer-term viability.

The five year plan produced as part of the strategic review provides consolidated plans at both the Company and Operating Company level. The plans also consider the Company's cash flows, committed funding and liquidity positions, forecast future funding and key financial metrics. Sensitivity analysis of the main assumptions underlying the plans was also carried out. The plan was approved by the Board and year one provides the basis for setting the financial budgets and KPIs that are subsequently used by the Board to monitor performance during the year.

In addition, as in previous years, the Board has carried out a robust assessment of the principal risks facing the business, including those that would threaten the business model, future performance, solvency or liquidity. The principal risks are set out on pages 31 to 35. Scenarios have been developed to test the Company's resilience to the occurrence of these risks.

Stress testing has also been performed and taken into consideration for the assessment.

As a result of the steps taken above the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of the assessment.

Going concern

The directors confirm that, after reviewing expenditure commitments, expected cash flows and borrowing facilities, they have a reasonable expectation that Kingfisher plc and the Kingfisher group of companies have adequate resources to continue in operational existence. For this reason they continue to adopt the going concern basis in preparing these financial statements. Further details of the Company's liquidity are available in the Financial Review on page 25.

Strategic Report Approval

The Strategic Report is approved for and on behalf of the Board by:

Véronique Laury
Chief Executive Officer

23 March 2016



ONE Kingfisher

01 Daniel Bernard Chairman

R N

Joined the Board as Deputy Chairman in May 2006 before being appointed Chairman on 3 June 2009. He is Chairman of the Nomination Committee.

Other directorships: Daniel is President of Provestis, his own investment company. He has been Senior Advisor of TowerBrook Capital Partners since October 2010. He is the Lead Independent Director of Capgemini and is also Honorary Chairman of the HEC Business School Foundation in Paris and a member of the Board of HEC.

Expertise and experience: Daniel provides considerable retailing experience and expertise to the Kingfisher Board. From 2010 to 2015 he was Chairman of MAF Retail Group, Dubai. He was Chairman and Chief Executive of Carrefour, the Paris-based retail group and world's second largest retailer, from 1992 to 2005. Prior to Carrefour, he was Chief Operating Officer of METRO, Germany's leading international retailer. He was previously a non-executive director of Compagnie de Saint-Gobain until June 2006.

02 Véronique Laury Chief Executive Officer

Appointed to the Board in December 2014.

Expertise and experience: Véronique is a highly experienced international retailer who has worked in the home improvement sector for 27 years in France and in the UK. She joined Kingfisher in 2003 and in her 13 years with the business she has held several key roles including Chief Executive of Castorama France, Group Commercial Director, and Commercial Director of B&Q UK & Ireland. She previously spent 15 years at Leroy Merlin in various store commercial roles. She was named Chief Executive Officer on 8 December 2014.

03 Karen Witts Chief Financial Officer

Appointed to the Board in October 2012.

Other directorships: Karen is a non-executive director of Imperial Brands PLC.

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

04 Andrew Bonfield Non-Executive Director

A R N

Appointed to the Board in February 2010. He is Chairman of the Audit Committee.

Other directorships: Andrew is Finance Director of National Grid plc. He is also a committee member of the Hundred Group of Finance Directors.

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

- A - Audit Committee
- R - Remuneration Committee
- N - Nomination Committee



05

Pascal Cagni
Non-Executive Director

Appointed to the Board in November 2010.

Other directorships: Pascal is an independent director of the supervisory board of Vivendi SA and a member of the board of directors of the Condé Nast-owned e-commerce website Style.com. He is also a member of the board of directors of Banque Transatlantique.

Expertise and experience: Pascal provides the Board with expertise in the field of digital and multi-channel retailing. He was formerly the General Manager, Vice President of Apple Europe, Middle-East, India and Africa. His previous experience includes roles at Packard Bell, NEC and Booz Allen Hamilton. He held the position of non-executive director on the board of Egg Banking plc, the online banking arm of Prudential plc. He actively conducts strategy, consulting and venture capital activities through c4v.com.

06

Clare Chapman
Non-Executive Director

Appointed to the Board in December 2010. She is Chairman of the Remuneration Committee.

Other directorships: Clare recently joined the Board of Heidrick & Struggles International, Inc., and serves as a Commissioner on the Low Pay Commission.



Expertise and experience: Clare brings international perspective and expertise from a series of high-profile human resource leadership roles. She was previously Group People Director of BT Group and Director General of Workforce for the NHS and Social Care. She was also a non-executive director of TUI Travel plc and Chairman of its Remuneration Committee. Her previous experience also includes Group HR Director of Tesco plc from 1999 to 2006 and HR Vice President of Pepsi Cola's West and Central European operations from 1994 to 1999.

07

Anders Dahlvig
Non-Executive Director

Appointed to the Board in December 2009.

Other directorships: Anders is a director of Oriflame Cosmetics AB, H&M Hennes & Mauritz AB and Axel Johnson AB, and is a member of the Advisory Board of Lund University Business School. He is also a director of Resurs Bank AB, Pret a Manger Limited and a Non-Executive Director of Inter IKEA Systems B.V.

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

08

Rakhi (Parekh) Goss-Custard
Non-Executive Director

Appointed to the Board in February 2016.

Other directorships: Rakhi is a non-executive director of Rightmove plc, Intu Properties plc and Be Heard Group plc.

Expertise and experience: Rakhi is a highly experienced director in digital retailing having spent 11 years at Amazon.com. Most recently she was Director, UK Media at Amazon, responsible for ranges such as books, music and DVDs. She was previously Director, UK Hardlines where she was responsible for home, garden and DIY product ranges. Prior to joining Amazon Rakhi held roles at TomTom and in management consultancy in the United States.

09

Mark Seligman
Senior Independent Director

Appointed to the Board in January 2012.

Other directorships: Mark serves as an alternate member of the Panel on Takeovers and Mergers, and is a member of the Regional Growth Fund advisory panel.

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

Leadership Team

The Leadership Team, alongside Véronique Laury (CEO) and Karen Witts (CFO), has developed over the course of the past year and now comprises:



Véronique Laury
Chief Executive Officer



Karen Witts
Chief Financial Officer



Pierre Woreczek
Chief Customer Officer



Arja Taaveniku
Chief Offer & Supply
Chain Officer



Steve Willett
Chief Digital & IT Officer



Jean-Paul Constant*
Chief Sales & Retail Operations Officer



Emily Lawson
Chief People Officer

* Joining late summer 2016



Daniel Bernard
Chairman

Dear Shareholder

I am pleased to present the Corporate Governance Report for the year ended 31 January 2016, on behalf of the Board.

I firmly believe that a robust, efficient and effective governance framework is essential to support management in delivering the Company's long-term business success. This is particularly true in a period of transformational change, when so much focus during the past year has been on Kingfisher's evolution over the next five years. Good governance has not only supported the work of the Board on the development of the longer-term transformational plan, but has also ensured delivery of shorter-term performance. We have reviewed our governance framework with reference to the UK Corporate Governance Code and a statement of compliance with the Code is set out on page 45.

During the year I have been impressed by the time and commitment given by all of my Board colleagues in helping shape a new long-term strategy. At the same time they have supported and, where required, challenged the executive team, whose job it is to manage the Company day to day, to drive performance and create value for our shareholders and other stakeholders.

In May 2015, Kevin O'Byrne stepped down as an executive director after almost seven years with the Company. Janis Kong also retired as a non-executive director on 1 February 2016 having served on the Board for nine years. I would like to thank Kevin and Janis personally for their significant contributions during their time on the Board.

In January, we announced the appointment of Rakhi (Parekh) Goss-Custard as a non-executive director. Rakhi's previous experience at Amazon brings digital retail expertise to the Board, which will prove invaluable as we improve our digital offering. Rakhi has been appointed to both the Audit and Nomination Committees. The Board also appointed Mark Seligman to the Remuneration Committee in January 2016.

An effective Board must maintain a level of independence and objectivity and have the correct balance of experience, diversity and skills. It also needs a good understanding of the operations of the business. I am delighted to lead a Board with such independence, experience, diversity and knowledge.

As a Board we take our governance responsibilities seriously. A Board effectiveness evaluation exercise was conducted in early 2016, the results of which confirmed that the Board and the Board's

principal committees continued to function well, and that their members were individually and collectively effective in discharging their duties and responsibilities. We continuously review and seek to improve our governance frameworks and systems and the roles, structure and accountabilities of its mechanisms. The terms of reference for each of the Board and executive committees and sub-committees were reviewed and adjusted as necessary to improve their efficiency and reflect changes of legislation and best practice. A comprehensive Board management and information review conducted during the year led to changes to the Board's forward agenda, and the type and frequency of information that it will receive. This will be particularly valuable as the Board reviews Kingfishers' performance against the key performance indicators (KPIs) and strategic milestones of the five year plan.

As part of our wider governance review, the Board adopted a new Code of Conduct during the year. The Code of Conduct sets out our values and ethical standards, which all employees and suppliers are required to adhere to at all times, and supports our ONE Kingfisher culture. The main change was to further increase the emphasis on the importance of the safety of our customers and colleagues.

Later, in the Directors' Remuneration Report, you will learn about the strategic review of executive remuneration that was undertaken to ensure that directors' remuneration remains fit for purpose and aligned to both long-term shareholders' interests and to the achievement of our new strategy. Consistent with good governance, an extensive consultation process was conducted with shareholders before we arrived at what we are confident are fair and balanced policy changes that align the interests of executives with those of shareholders and the long-term success of the Company. We hope that you will support the new remuneration policy at the Annual General Meeting later this year.

The following pages of this report set out in greater detail the framework and processes that Kingfisher has in place to ensure the highest levels of corporate governance. The report as a whole provides an insight into how, through its actions, the Board and its committees have fulfilled their governance responsibilities and have worked to ensure that your investment and the assets of the business remain protected.

Daniel Bernard
Chairman

23 March 2016

Board Leadership

The role of the Board

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

The Board's powers are set out in the Company's articles of association, which are available to view on our website, and may be amended by a special resolution of its members.

The Board has established a formal schedule of matters reserved for its approval, and has delegated other specific responsibilities to its principal committees: the Audit, Remuneration and Nomination committees. These are clearly defined within the matters reserved schedule and written terms of reference of the respective committees, which are available on the Company's website, and are regularly reviewed. The structure of the Board and executive committees and sub-committees are summarised in the graphic on page 44. Information on the responsibilities and work of each of the Board's committees is set out on pages 46 to 75.

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

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

Composition of the Board and meeting attendance

The following table shows the number of years each director had served on the Board as at the financial year end, and their attendance at Board meetings during the year. Committee meeting attendance is shown in the report for each committee.

Kingfisher plc Board

	Tenure in years	Attendance
Current Directors		
Daniel Bernard	9	9/9
Andrew Bonfield ⁽¹⁾	5	8/9
Pascal Cagni	5	9/9
Clare Chapman	5	9/9
Anders Dahlvig	6	9/9
Rakhi Goss-Custard ⁽²⁾	n/a	-/-
Véronique Laury	1	9/9
Mark Seligman	4	9/9
Karen Witts	3	9/9
Former Directors who served during 2015/16		
Kevin O'Byrne ⁽³⁾	6	3/3
Janis Kong ⁽⁴⁾	9	8/9

(1) Andrew Bonfield was unable to attend the January 2016 meeting due to illness.

(2) Rakhi Goss-Custard joined the Board on 1 February 2016.

(3) Kevin O'Byrne resigned as a director on 15 May 2015. His tenure is as at his leaving date.

(4) Janis Kong resigned as a director on 1 February 2016. Janis was unable to attend the December 2015 meeting, called at short notice, due to a prior commitment.

During the year, the Board was made up of the Chairman, executive directors and a majority of non-executive directors. The structure, size and composition of the Board is regularly reviewed to ensure it remains suitable for the needs of the business. The current balance of the Board's skills, experience, independence and knowledge, together with regular briefings by executives below Board level, ensures that views, perceptions and discussions are not dominated by any one specific view.

There is an established, formal, rigorous and transparent procedure for the selection and appointment of new directors to the Board, and this is described in the Nomination Committee report on page 50. At the Annual General Meeting (AGM) to be held on 15 June 2016, shareholders will be asked to approve the appointment of Rakhi Goss-Custard and the re-appointment of all other directors.

Roles of the Chairman, Senior Independent Director, non-executive directors and Chief Executive Officer

The roles and responsibilities of the Chairman and Chief Executive Officer are separate and clearly defined. The Chairman is responsible for the overall operation, leadership and governance of the Board, setting the tone and style of Board discussions, and creating the conditions for overall Board and individual director effectiveness. The Chief Executive Officer is responsible for executive management of the Company's business, consistent with the strategy and commercial objectives agreed by the Board.

Non-executive directors provide strong, independent and external insight to the Board and its committees, and have a wealth of experience and business knowledge from other sectors and industries. Mark Seligman, the Senior Independent Director (SID), is responsible for advising and providing additional support to the Chairman. The SID is available to any significant shareholders who may feel they are unable to raise issues through the usual channels of Chairman, Chief Executive Officer and Chief Financial Officer.

The Company Secretary is responsible for ensuring that good quality information flows from executive management to the Board and its committees. The Company Secretary also advises the Board on legal, compliance and corporate governance matters and facilitates the inductions and ongoing training of directors.

The roles and responsibilities of the Chairman, SID and Chief Executive Officer are available from the Company's website (kingfisher.com).

Independence of Non-Executive Directors

At its meeting in March 2016, the Board considered the independence of each of the non-executive directors (other than the Chairman, who was deemed independent by the Board at the date of his appointment) against the criteria specified in the Code, and determined that all remain independent.

The appointment terms for each non-executive director are available for inspection at the Company's registered office. These will also be available for inspection at the Annual General Meeting.

Diversity on the Board

The Company is proud of the level of diversity that exists on its Board. The Board remains committed in its belief that a balanced Board, with a broad range of skills, experience, independence, knowledge and diversity, is an effective Board.

Further information on Board diversity and how our policy on diversity influences our Board member selection process, can be found in the Nomination Committee Report on page 50. The Nomination Committee considers each candidate on their individual merits, regardless of gender, age, race, nationality, religion or disability.

As a Company, we encourage diversity and promote a culture of inclusion at all levels of our business. We believe in and are committed to maximising the benefits that this approach provides. Charts demonstrating the gender split at Board level, senior management level, and for all employees across the Company, can be found on page 21.

Board Effectiveness

Board meetings

The Board holds regular scheduled and supplementary meetings throughout the year, which are structured to allow open discussion. At each meeting the Board receives certain regular reports, which include an update from the Chief Executive Officer, current trading/finance (including liquidity) and capital expenditure reports from the Chief Financial Officer, and reports from the Group General Counsel & Company Secretary (including governance, legal, insurance and risk updates). Regular updates on people, sustainability and public affairs are also provided at Board meetings during the year.

All directors participate in discussions about strategy, trading and financial performance, and risk management of the Company. Comprehensive briefing papers are circulated to all directors approximately one week before each meeting. Any director unable to attend a meeting may discuss any issues with the Chairman or the Chief Executive Officer.

Each year the Board holds at least one meeting outside the UK, in a country in which the Company operates, in order to meet senior management of the Operating Companies, experience the local challenges they face and visit stores in the area. In 2015/16 the Board held meetings in Russia and France. During their visit to Russia, they took the opportunity to review local market conditions and conduct store visits, which gave them an opportunity to obtain a customer perspective and engage with the workforce in these locations.

The Chairman and non-executive directors meet regularly without the executive directors being present. The Chairman maintains regular contact with the SID.

Activities during the year

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

- received regular strategic presentations from management and held 'deep dive' discussions with management of the Operating Companies, Digital management and Offer and Supply Chain management;
- considered the Company's capital structure, cash position and capital return proposals and approved the buy-back of shares;
- considered regular updates on health and safety progress;
- reviewed the Company's anti-bribery and corruption policies and procedures to ensure continued compliance with the UK Bribery Act;
- reviewed the Company's risk profile and reviewed the Company's risk appetite statement;
- reviewed and approved the Company's major IT programmes and processes; and
- received a progress update on the Company's sustainability strategy.

Corporate Governance continued

In addition to its regular business, the Board also:

- considered, discussed and approved the Company's updated strategy and five year plan, presented at the Capital Markets Day on 25 January 2016;
- reviewed and considered B&Q's transformation plans, which included proposals for store closures;
- considered the potential acquisition of Mr Bricolage, which in the event did not proceed;
- considered and approved award levels under the 2014/15 annual bonus and the vesting of the 2012 KISS awards, as well as target metrics for 2015/16 annual bonuses and 2015 LTIP awards;
- approved completion of the disposal of a majority stake in Kingfisher's business in China;
- considered and supported a new renewable energy strategy;
- considered the initial People Report of the new Chief People Officer, including a report on talent management processes and procedures and the results of the 2015 engagement survey; and
- considered and approved the appointment of Citibank N.A as the Company's new depositary bank for its Level I American Depositary Receipts Programme.

Board evaluation

Each year the Board conducts a review of its performance and effectiveness, and that of its committees and individual directors. The evaluation was conducted in December 2015 by way of an externally facilitated questionnaire followed by a series of one-to-one interviews between each director and the Chairman. The Board questionnaire was developed with reference to the topics discussed and recommendations made during the previous year's evaluation, and drafted following discussions between the Chairman, the Company Secretary and the external facilitator, Lintstock. Responses to the questionnaire were collated and the output was used by the Chairman in his individual meetings with directors as part of the evaluation process. The main areas considered during the evaluation were:

- Board composition and expertise;
- Board dynamics;
- time management;
- Board support;
- development of recent strategy work;
- risk management and internal control;
- succession planning and human resource management; and
- priorities for change.

The results of the evaluation were considered by the Board at its meeting in January 2016. No significant issues were highlighted and the review indicated that the Board, its committees, the Chairman and each of the directors continued to work efficiently and effectively. The contribution and commitment of each director, and their interaction with each other, remained good, and the challenge offered by the non-executive directors was robust and appropriate. The non-executive directors, led by the SID, also conducted a performance review of the Chairman, taking into account the views of the executive directors.

The Board has confirmed that the contribution of each of the directors continues to be effective and that shareholders should be supportive of their re-appointment to the Board.

Also during the evaluation, in considering composition and expertise, Board members noted the further enhancement of the Board's digital retail experience through the appointment of Rakhi Goss-Custard as a non-executive director.

During the year, the Board also participated in a separate Board Meeting Management and Information Review. The review included one to one meetings between the Company Secretary and each director. The aim of the review was to better understand the views of Board members and other stakeholders in respect of the type, quality, quantity and frequency of information the Board receives to carry out their duties, and to consider the time allocation and prioritisation of agenda items.

As a result of both the evaluation and the management and information review, the Board agreed to undertake the following activities during the 2016/17 financial year:

- re-prioritise and keep the forward business agenda under review to ensure that there is sufficient time to focus on key programmes and initiatives, in particular the delivery of, and risks to, the transformation programme and the five year plan;
- keep under review the reporting of the key performance indicators of the transformation plan to ensure the Board has good visibility of data and information to oversee execution of the plan; and
- renew focus on succession planning and talent management, with the support of the Chief People Officer.

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

Board Strategy Days

In November 2015, the Board held a two-day off-site meeting in France to discuss Kingfisher's future strategy and transformation programme. The Board considered and deliberated upon Group Executive presentations on key themes:

- Our customers and our ambition.
- The offer and supply chain.
- Our retail operations strategy.
- Our digital strategy.
- People and culture.
- The financial five year plan.
- Transformation management, KPIs and milestones.

The Board's deliberations and challenges were integral to the development of the five year plan which was the subject of further review at a supplementary Board meeting in December 2015 and final approval in January 2016 prior to its presentation at the Capital Markets Day on 25 January 2016.

Induction, information and professional development

The Kingfisher directors' induction programme is designed to develop a director's knowledge and understanding of the Company's operations and culture. The comprehensive tailored programme to meet each director's specific requirements is phased to allow feedback and further customisation of the meetings and development activities.

The induction programme created for Rakhi Goss-Custard includes:

- individual one-to-one meetings with the Chairman, the Chief Executive Officer, the Chief Financial Officer and all other directors;
- meetings with management of the Operating Companies and other key senior managers across the Company;
- site visits to the Company's stores;
- briefing sessions on the activities of the committees to which she has been appointed; and
- an online resource site of key reference materials to support the above.

If required, external training courses will be provided at the Company's expense.

Subsequent training in specific aspects of the Company's businesses is provided to directors when requested and regularly as part of site visits. Directors are briefed on issues at Board and committee meetings, for example receiving briefings on cyber risks, and relevant commercial, legal and regulatory developments. All directors have full and timely access to relevant information ahead of each meeting.

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

The Board also receives regular reports and feedback from discussions with the Company's institutional shareholders and is informed of any issues or concerns raised by them. This process allows directors to develop necessary understanding of the views of these shareholders and also enables the Board to judge whether investors have a sufficient understanding of the Company's objectives. In addition to planned development and briefings, each director is expected to take responsibility for identifying their own individual needs and to take necessary steps to ensure that they are adequately informed about the Company and their responsibilities as a director. The Board is confident that all its members have the requisite knowledge, ability and experience to perform the functions required of the directors of a listed company. There is also an agreed procedure whereby directors may take independent professional advice at the Company's expense in the furtherance of their duties.

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. Following review of the register of directors' situational and transactional conflicts, the Board confirmed that there were no situations of which they were aware which would, or potentially could, give rise to conflicts with the interests of the Company, other than those that might arise from directors' other appointments, which are set out in the directors' biographies on pages 36 and 37.

Relations with shareholders

Kingfisher and the Board acknowledge the importance of having effective and regular lines of communication with our shareholders. These engagements take various forms and include presentations, roadshows, store visits and face to face meetings and involve the Chairman, Senior Independent Director, Chief Executive Officer, Chief Financial Officer and other members of the Board and Group Executive.

During the year we have engaged with shareholders on a range of topics including:

- ONE Kingfisher strategy and the five year plan;
- financial and business performance;
- full and interim results, including trading updates;
- governance, including succession planning; and
- remuneration.

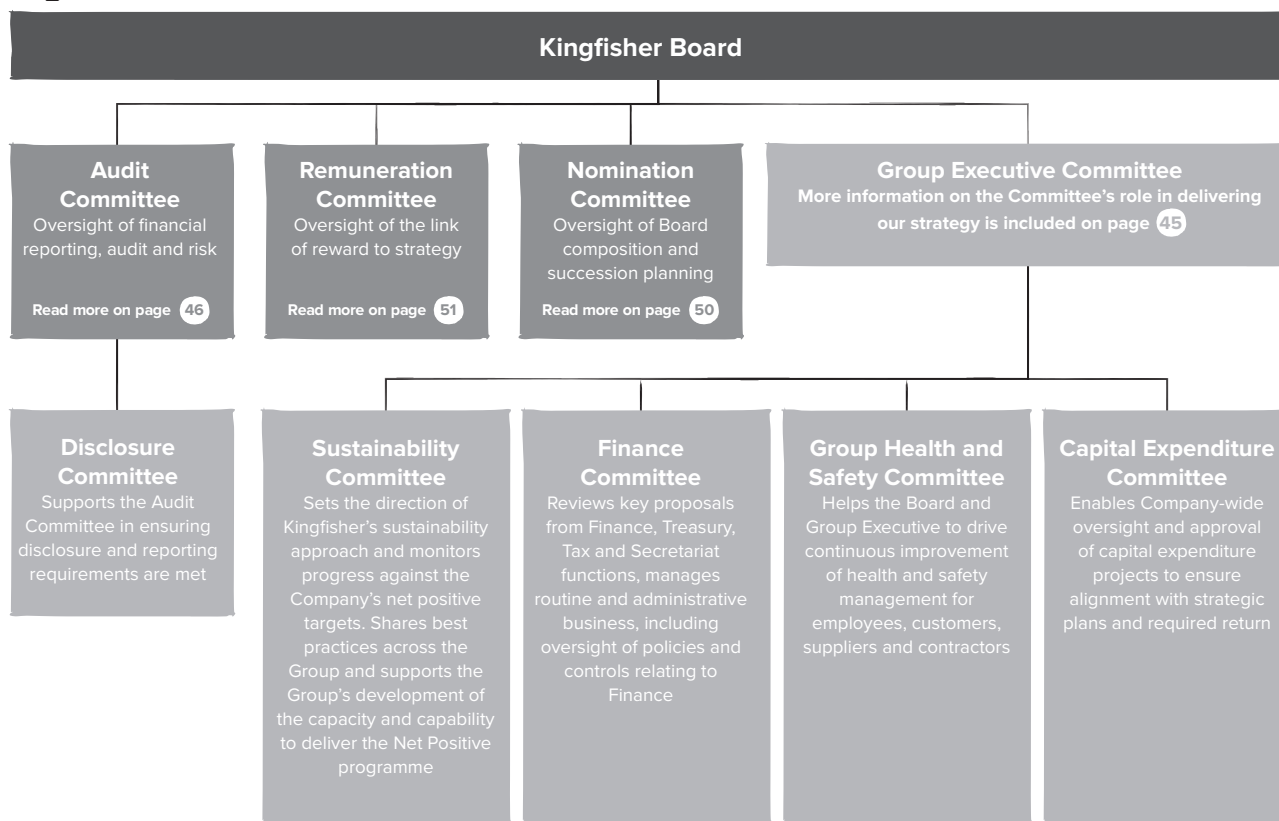
Our shareholder engagement objectives extend beyond promoting the investment case and matters relating to executive remuneration. Engagements also aim to develop shareholders' understanding of our business and strategy. For example, during the year shareholders were able to see for themselves the implementation of the Enterprise Resource Planning programme with a store visit to Dublin. Our strategic vision and the five year plan were shared with shareholders and analysts at the Capital Markets Day in January 2016, which was well represented by shareholders.

Annual General Meeting

The Board welcomes the opportunity to engage with our wider, retail shareholder base each year at the Annual General Meeting and the directors welcome the opportunity to meet shareholders after the meeting.

At the 2016 AGM, to be held on Wednesday 15 June 2016, all resolutions will again be put to shareholders on a poll, and the results announced to the London Stock Exchange. They will also be published on our website, shortly after the meeting. Further detail on the 2016 AGM can be found in the Notice of Annual General Meeting, which is available at kingfisher.com.

Organisation and Governance Structure



In addition to the Board's principal committees (Audit, Remuneration and Nomination committees), the Board is supported by the work of the Group Executive Committee and its subcommittees, and the Audit Committee is supported by the work of the Disclosure Committee. Together, these committees form a fundamental element of the Company's corporate governance framework, and their terms of reference are regularly reviewed. Further details of each of the Board's principal committees, including membership, are set out in the reports from each of the committee chairmen.

Group Executive Committee

The Committee is comprised of the Company's Leadership Team and has the role of supporting the Chief Executive Officer, and also providing a forum for discussion of key business matters.

The Committee has delegated authority from the Board to oversee the day to day management of the Company's operations and business performance. Its primary focus is the development and implementation of strategy. The Committee reviews and reports to the Board on, amongst other things, Kingfisher performance against KPIs, the development of talent across the management team and the wider Company, the principal risks impacting the Company and the steps taken to mitigate these.

The Committee is also responsible for reviewing and making recommendations to the Board, amongst other things, on:

- strategic and business plans of individual businesses and the KPIs against which progress can be measured;
- developments in Kingfisher's international retail operations;
- strategic capital expenditure proposals, major acquisitions or disposals of businesses;
- financial performance, and key strategic and operational risk; and
- management development and senior executive succession plans.

During the year, in addition to its standing agenda, the Committee reviewed, amongst other matters:

- the transformational plan, and related market announcements and disclosures, and internal communication;
- plans for the geographic expansion of Screwfix;
- the Offer and Supply Chain organisation and development of Unified and Unique Offer;
- the Unified IT platform roll out;
- HR proposals for reward and mobility practices across Kingfisher;
- Kingfisher's principal risks and risk appetite; and
- the new ethical sourcing policy and the strategy on embedding sustainability in all we do.

Compliance with the UK Corporate Governance Code (the Code)

During the 2015/16 financial year, Kingfisher was subject to the September 2014 Code, published by the Financial Reporting Council and available from frc.org.uk. The Board is pleased to confirm that throughout the year, the Company has complied with all provisions set out in the Code.

In last year's report, the Company advised that it was non-compliant with Code provision D.1.1 in relation to grants under long-term incentive schemes. Although the Company complied with this provision during the 2015/16 financial year, subject to shareholder approval of the new Remuneration Policy at the 2016 AGM, the Company will again become non-compliant with this provision of the Code. Further information on the Remuneration Policy and information on how the Remuneration Committee considered and agreed the new Remuneration Policy can be found in the Directors' Remuneration Report on pages 51 to 75.

Corporate Governance continued

Audit Committee Report



Andrew Bonfield
Chairman of the Audit Committee

Dear Shareholder

I am pleased to present the Audit Committee Report for the year ended 31 January 2016 on behalf of the Board.

Throughout the year, we continued to focus on the integrity of the Company's financial reporting, the quality of the external and internal audit processes and the appropriateness of internal controls. In order to further develop our understanding, the Committee also received in-depth presentations from the management of Kingfisher's Operating Companies, including the key strategic risks impacting these businesses.

We also considered and reviewed the Company's anti-bribery and whistleblowing procedures.

At the Committee's request, the Chief Financial Officer and senior members of the Finance Department attend meetings of the Committee. Our effective working relationship with the wider business has been maintained through the year with senior managers from the business in attendance at certain meetings to provide insight into their own areas of business. In addition, the external and internal auditors are regular attendees.

The composition of the Audit Committee changed at the year-end when, as part of the Board's succession planning strategy, Rakhi Goss-Custard was appointed as a member of the Board and Audit Committee on Janis Kong's retirement from the Board.

Audit Committee meeting attendance

Current members	From	Attendance
Andrew Bonfield (Chairman)	11/02/2010	6/6
Anders Dahlvig ⁽¹⁾	16/12/2009	5/6
Rakhi Goss-Custard	1/02/2016	-/-
Mark Seligman	1/01/2012	6/6
Former Directors who served during 2015/16		
Janis Kong ⁽²⁾	11/02/2011	6/6

(1) Anders Dahlvig was unable to attend the March 2015 meeting due to a prior business commitment.

(2) Janis Kong resigned as a director and as a member of the Committee on 1 February 2016.

The members of the Committee have been chosen to provide the wide range of financial and commercial experience needed to fulfil these duties and the Committee is well placed to continue its oversight and governance role in the year ahead, including oversight of the impact of the revised business model and the risks associated with management of a major change programme such as the delivery of ONE Kingfisher.

In September 2014 changes applicable to the 2015/16 financial year were made to the UK Corporate Governance Code. These relate to the identification and management of principal risks of the business, within an agreed risk appetite, and the provision of a longer-term viability statement of the Company. These are reflected in the enhanced disclosures throughout this report.

A fuller description of the operation of the Committee during the year is set out below which will provide you with a useful guide to the activities of the Committee during the year. I will be available at the Annual General Meeting to answer any questions about the work of the Committee.

Andrew Bonfield
Chairman of the Audit Committee

23 March 2016

Key duties & responsibilities

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

- monitor the integrity of the financial statements of the Group;
- review, understand and evaluate the Company's control of internal financial risk, and other controls and their associated systems;
- monitor and review the effectiveness of the Company's internal audit function on an annual basis;
- oversee the relationship with the external auditor, and make recommendations to the Board in relation to their appointment, remuneration and terms of engagement
- oversee the process for determining whether the Annual Report and Accounts present a fair, balanced and understandable assessment of the Group's performance, business model and strategy;
- evaluate and approve the going concern assumption and longer-term viability statements;
- agree the scope of both the external and internal auditor's annual audit programme and review the output; and
- monitor and review the external auditor's independence, objectivity and effectiveness and approve the policy on the engagement of the external auditor to supply non-audit services.

The Committee's terms of reference were reviewed during the year and, following minor amendment, are considered fit for purpose and reflect best practice. The terms of reference are available on the Company's website (kingfisher.com).

Governance

Andrew Bonfield is designated as the Committee member with recent and relevant financial experience, and all other members of the Audit Committee are deemed to have the necessary ability and experience to understand financial statements.

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

The Committee has a standing agenda linked to events in the Company's financial calendar for consideration at each meeting, and within the annual audit cycle, to ensure that its work is in line with the requirements of the Code. At the invitation of the Committee, the Chairman of the Board and the Chief Executive Officer regularly attend meetings, as do the Chief Financial Officer, the Deputy Chief Financial Officer, the Group Audit and Risk Management Director, Group Chief Accountant and the external auditor. Private meetings were also held with the external and internal auditors at which management were not present.

The effectiveness of the Committee was considered as part of the Board evaluation detailed on page 42. At its meeting in January 2016 the Committee considered the contents of the review and concluded that the evaluation had found the Committee provided robust and appropriate challenge to the business and continued to operate efficiently and effectively. It was agreed to review again how risk is monitored by the Committee, and the Company as a whole, during this time of transformational change and given the new UK Corporate Governance Code requirements. This has been incorporated into the Committee's planned programme of work for the coming financial year.

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

Activities of the Audit Committee during the year

Internal controls and risk

The Committee received and considered reports during the year from the internal audit function on the work they had undertaken in reviewing and auditing the Company, in order to assess the quality and effectiveness of the internal control system.

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

The Committee considered reports on the output from the Company-wide process used to identify, evaluate and mitigate risks and reviewed the annual report on the Company's systems of internal control and their effectiveness, and reported the results of the review to the Board. Further information on the Company's risk management and internal control procedures can be found on pages 31 to 35.

As part of the Committee's continuing programme to increase its awareness of the Company's operations and to understand the implementation of Operating Company control processes, the Committee met with, and received presentations from, the senior management of Castorama Poland, Russia and France, Brico Dépôt France and Iberia, and received presentations from the senior management of Kingfisher's Information Technology function.

During the year, among other matters, the Committee:

- considered the going concern and longer-term viability statements, reviewing the scenarios and risk mitigations which underpin the sensitivity analysis completed, and considered how these align to delivery of the strategic plan over the five-year period initially adopted. The impact of both separate and cumulative scenarios occurring, and the potential mitigating actions, were considered in confirming the Kingfisher Group's expected resilience. Further information is provided in the Strategic Report on page 35;
- received reports on the internal audit function's store audits in each of our Operating Companies. Health and safety was reviewed as part of this work and action plans were put in place to address instances of non-compliance with our health and safety procedures. This is supported by the Group Health and Safety Committee. The Committee was satisfied that the necessary steps were being taken to improve the standards of health and safety across Kingfisher;
- considered the internal audit function's regular reviews of the Company-wide Enterprise Resource Planning IT Programme to provide the Committee with assurance over the governance, performance and delivery of this programme. This is a significant project for the Company and the Committee is satisfied that the correct level of control is being maintained. Further reviews will be carried out in 2016; and
- received presentations from the IT function, focusing on cyber risks the Company faces and the mitigations in place. The Committee was satisfied that adequate steps were being taken to protect Kingfisher against cyber threats and that Kingfisher's IT security strategy and plans are subject to frequent re-assessment and benchmarking against market practice. Cyber risk will continue to be reviewed by the Committee at least bi-annually.

In addition, the Committee continued to monitor the progress on the standardisation and improvement of the Company's internal control processes in a number of key areas.

As part of the review of the operation of the Company's Anti-Bribery and Corruption controls and compliance an external law firm confirmed that an adequate framework of procedures designed to prevent bribery is in place. The Committee also considered the Company's resourcing for monitoring compliance with these procedures and will further review progress in the year to come. The Company's Code of Conduct was also refreshed and a new Gifts and Hospitality Policy was approved.

Financial reporting and significant financial issues

The Committee's formal reviews of the Company's annual and interim financial statements and associated announcements considered significant accounting principles, policies and practices and their appropriateness, financial reporting issues and significant judgements made. The Committee also considered, having received input and guidance from the Disclosure Committee, whether the disclosures and reports made, including the 2015/16 Annual Report and Accounts, meet the latest legal and regulatory requirements for a listed company and are fair, balanced and understandable. This resulted in a number of disclosure enhancements being incorporated into the Annual Accounts compared to the previous year.

Audit Committee Report continued

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

- The Committee considered the carrying value of goodwill to determine whether any impairment had been suffered. The Committee reviewed the significant financial assumptions used and corresponding disclosures, including the validity of cash flow projections used in the strategic plans and the results of sensitivity analyses, as well as the selection of appropriate discount and long-term growth rates. This resulted in the impairment of goodwill in Brico Dépôt Romania as set out in note 12 to the financial statements.
- The Committee considered the treatment of exceptional items, including the UK and continental Europe restructuring and disposal of Kingfisher's controlling 70% stake in B&Q China, which are presented as exceptional items in the consolidated income statement and note 5 to the financial statements, to help provide an indication of Kingfisher's underlying business performance.
- The Committee reviewed the significant judgements relating to stock. This included a review of the continuing appropriateness of the stock provisioning policy which takes into consideration such factors as stock turn, range or delisted status, damage and obsolescence. The Committee also considered the impact of the transformation plan and UK restructuring, which resulted in higher stock provisions being recognised and a more harmonised methodology.
- The Committee reviewed the significant judgements relating to rebates and continues to be satisfied with the judgements taken and the control environment in relation to the recognition of rebate income and financial statement reporting.

Group internal audit

The Committee considered and reviewed updates from the internal audit programme at each of its meetings during the year. Reports from the internal audit function to the Committee included updates on the Company's risk management systems, findings from reviews of these systems, and reviews of the remit, organisation, annual plan and resources of the internal audit function. The Committee also considered how the internal audit function would tailor its audit plans to support the business during the delivery of the transformation plan.

During the year, the Committee reviewed the effectiveness of the internal audit function. The review was conducted using an internal questionnaire with input from the function's key stakeholders within the Company, the external auditors and the Committee. No significant issues were highlighted by the review.

External audit

The Committee reviews and makes recommendations to the Board with regard to the reappointment of the external auditor. In doing so, the Committee takes into account auditor independence and audit partner rotation. Deloitte LLP were appointed as external auditor in 2009/10 following a formal tender process. Richard Muschamp was appointed lead audit partner following the conclusion of the 2013/14 audit process, and will serve as lead partner until the external audit contract is put out to tender, which will be undertaken by 2019/20.

The committee confirms compliance with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, as published by the UK Competition and Markets Authority.

During the year, the Committee agreed the approach to and scope of the audit work to be undertaken by the external auditor, Deloitte LLP. The Committee also reviewed and agreed the terms of engagement, the fees, and areas of responsibility and the work to be undertaken by the external auditor, and agreed the fees payable in respect of the 2015/16 audit work. Details of the amounts paid to the external auditor for their audit services are given in note 7 to the accounts. In addition, the external auditor provided the Committee with a schedule of each matter on which there was an initial difference between them and management in relation to the accounting treatment, and the final decisions on these issues.

The Committee also considered the effectiveness and independence of the external auditor. In consideration of its effectiveness, the Committee reviewed the experience and expertise of the audit team, the fulfilment of the agreed audit plan and any variations to it, feedback from the Company's businesses and the contents of the external audit report.

In considering the independence of the external auditor, the Committee received a statement of independence from the auditor, a report describing their arrangements to identify, report and manage any conflicts of interest, and reviewed the extent of non-audit services provided to the Company. The Committee confirmed its satisfaction with the effectiveness and independence of the external auditor.

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

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

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

The Company has a policy on the use of its external auditor for non-audit work and this is regularly reviewed. The external auditor is precluded from engaging in non-audit services that would compromise their independence or violate any laws or regulations affecting their appointment as external auditor.

The approval of the Chairman of the Committee is required prior to awarding contracts for non-audit services to the external auditor, where in excess of specified amounts. The Company's policy on the use of the external auditor for non-audit work can be found on the Company's website (kingfisher.com).

Accountability, risk management and internal control

Internal control

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

The Board confirms that it has reviewed the effectiveness of the internal control system, including financial, operational and compliance controls and risk management in accordance with the Code, for the period from 1 February 2015 to the date of approval of this Annual Report and Accounts 2015/16.

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

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

The responsibility for designing, operating and monitoring the system and the maintenance of effective control is delegated to the management of each of the Operating Companies. The Company's risk management and reporting process helps management to identify, assess, prioritise and mitigate risks. Management at each Operating Company has responsibility for the identification and evaluation of the significant risks applicable to their business and any mitigating actions to be taken. The Group Executive Committee reviews, identifies and evaluates the risks that are significant, as well as the mitigating actions against those risks. These are then considered by the Board. The types of risks identified included both strategic and material operational risks and are detailed on pages 31 to 35 of the Strategic Report.

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

Monitoring

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

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

A formal bi-annual certification is provided by the Chief Executive Officer and Finance Director of each Operating Company stating that appropriate internal controls were in operation and confirming compliance with the Company's policies and procedures. Any weaknesses are highlighted and the results are reviewed by Operating Company management, the Group Audit and Risk Management Director, the Deputy Chief Financial Officer, the Audit Committee and the Board. The internal audit function monitors and selectively checks the results of this exercise, ensuring that representations made are consistent with the results of its work during the year.

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

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

Risk appetite

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

Corporate Governance Continued Nomination Committee Report



Daniel Bernard
Chairman of the Nomination Committee

Dear Shareholder

I am pleased to present the Nomination Committee Report for the year ended 31 January 2016 on behalf of the Board.

My fellow Nomination Committee members and I have an important role to play in evaluating Board composition and ensuring that it remains appropriate for the delivery of the Company's strategy and financial objectives.

Following nine years of valuable service on the Board, it was agreed that Janis Kong would step down. Once agreed, we began our search for her replacement on the Board and engaged with JCA Group Limited (JCA), who have no other relationship to Kingfisher, to assist in this search process. In considering the criteria the new candidate needed to meet, we considered the skills and experience that the Board would benefit from when overseeing the implementation of the long-term strategy. Once agreed, this was provided to JCA, who identified and proposed a shortlist of three strong candidates. Our clear preference was Rakhi Goss-Custard who brings with her a wealth of customer and digital retail experience, skills which align to our new strategy under our five year plan. Rakhi's tailored induction programme is ongoing and has included meetings with Group Executive members and key functional leaders, in addition to meetings with Operating Company management teams to provide her with a better understanding of our businesses.

As part of Rakhi's appointment, we also considered the composition of each Board Committee. This resulted in Mark Seligman's appointment to the Remuneration Committee, and Rakhi's appointment to both the Audit and Nomination Committees.

The appointment of Emily Lawson as Chief People Officer will support and enhance the Committee's work during the coming year, with a heightened focus on strengthening succession planning for key

Nomination Committee meeting attendance

Current Members	From	Attendance
Daniel Bernard (Chairman)	24/05/2006	4/4
Andrew Bonfield ⁽¹⁾	11/02/2010	3/4
Pascal Cagni	17/11/2010	4/4
Clare Chapman	2/12/2010	4/4
Anders Dahlvig	19/12/2009	4/4
Rakhi Goss-Custard	1/02/2016	-/-
Mark Seligman	1/01/2012	4/4
Former Directors who served during 2015		
Janis Kong ⁽²⁾	8/12/2006	3/4

(1) Andrew Bonfield was unable to attend the January 2016 meeting due to illness.

(2) Janis Kong resigned as a director on 1 February 2016. Janis was unable to attend the December 2015 meeting, called at short notice, due to a prior commitment.

appointments across Kingfisher. This will assist in ensuring that we remain well equipped for the delivery of our strategy. During the year, we also reviewed the independence, performance and contribution of Anders Dahlvig and Andrew Bonfield, as a result of their tenure reaching six years. After review, it was agreed that it was in the best interests of the Company to appoint both Anders and Andrew for up to an additional three year term. Neither Andrew nor Anders were present when the Committee considered their continued appointment.

The Committee's terms of reference were also reviewed and were subject to minor amendments to better align the Committee's responsibilities with the Code.

The Company has continued its commitment to diversity, retaining strong Board-level diversity of experience, ethnicity and gender. Our performance demonstrates the value of having a diverse Board, one which has strong gender diversity, which is replicated at Group Executive level (44% of Board members and 67% of Group Executive members are female). This exceeds the Company's target of achieving 25% female representation on the Board by 2015.

The Board is proud of the diversity that exists, not only at Board and Group Executive level, but right across Kingfisher. We remain committed to maximising the benefits of our diverse workforce to deliver real and sustainable benefits.

We look forward to continuing our work into 2016/17 and ensuring that Kingfisher retains and attracts the talent necessary to succeed in the delivery of our five year plan.

Daniel Bernard
Chairman of the Nomination Committee

23 March 2016

Key duties & responsibilities

In accordance with its terms of reference, the Nomination Committee is required to:

- review the structure, size and composition of the Board and make recommendations to the Board, as appropriate;
- identify the balance of skills, knowledge, diversity and experience on the Board and nominate candidates to fill Board vacancies;
- ensure that upon appointment all directors undergo an appropriate and tailored induction, and that existing Board members receive the opportunity for training to support their development and contribution to the Board;
- review the time commitment and independence of the non-executive directors; and
- review succession plans with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.

The Committee's full terms of reference are available on the Company's website (kingfisher.com).



Clare Chapman
Chairman of Remuneration Committee

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Annual Statement from the Chairman of the Remuneration Committee

Dear Shareholder

I am pleased to present the Directors' Remuneration Report for the year ended 31 January 2016 on behalf of the Board.

This remuneration report is split into two sections:

- the new Directors' Remuneration Policy; and
- the Annual Report on Remuneration.

Strategic transformation

Over the year, the Board has developed Kingfisher's new strategic direction which was announced at the Capital Markets Day on 25 January 2016.

Our updated strategy and five year plan will transform how Kingfisher operates so that we can become the leading home improvement provider in Europe and unlock the value in the business for our shareholders.

In the context of this major strategic transformation, we have reviewed our remuneration arrangements to ensure that we have the right incentives to support the delivery of the new strategy.

We determined that there was a requirement for the redesign of reward to focus on value creation and long-term share ownership in order to align the executives with the business transformation and the delivery of outcomes committed to shareholders at the Capital Markets Day. We have therefore designed a new remuneration structure that is based around:

- a simplified annual package for executives comprised of fixed pay, a reduced cash bonus, and a new element called Alignment Shares which is based on balance sheet and business health metrics measured over three years;

Directors' Remuneration Report continued

- a Transformation Incentive linked to improving EPS and ROCE over the five year strategy period as laid out at the Capital Markets Day; and
- an increased shareholding requirement to above the market upper quartile (350% and 250% of salary respectively for the CEO and CFO), including a requirement to hold shares for up to two years after leaving Kingfisher.

The resulting package has significantly increased the focus on long-term performance. This has all been achieved with a package that delivers no more than previously at on-target performance, is lower than the package of the previous CEO, and remains conservatively positioned against FTSE 100 and retail sector norms. We will be looking to develop the reward structure for our Kingfisher colleagues to ensure that they all have the opportunity to share in the success of the transformation plan.

The following pages set out the full details of and rationale for this new structure.

Shareholder engagement

In early 2016, the Committee consulted extensively with our largest shareholders and their representative bodies on our new remuneration structure.

We were pleased by the level and quality of engagement and with the support received for our principles and proposed design. We welcomed the constructive feedback provided through the consultation process and this has been taken on board in our final proposals. To align incentives with the creation of long-term value, our proposed remuneration arrangements are a departure from the traditional UK executive pay model in some respects.

Shareholders appreciated:

- the reduced focus on annual bonus;
- the increased five year performance period for the long-term incentive (Transformation Incentive); and
- the balance between the short-term strategic objectives on the annual bonus, and the long-term business and financial measures on the equity elements of pay.

Shareholders also supported other aspects of leading practice that we have introduced, including:

- the five year holding from grant on both equity-based incentives;
- the increased shareholding requirements that will be above the upper quartile for the FTSE 25 to 75; and
- the extension of shareholding requirements to apply to executives after leaving the Company.

Finally, shareholders understood the intent behind the changes we were making and the fact that these changes did not materially impact total compensation levels, which remain no more than market competitive against the FTSE 25 to 75.

Outcomes for 2015/16 remuneration

Retail profit grew 7.4% at constant exchange rates. The achievement of above target performance in the UK and Poland offset a continuation of subdued conditions in our French market, resulting in a strong level of performance overall for Kingfisher.

The 2015/16 incentive outcomes reflect this performance picture, with the Committee determining that 69.1% of the maximum annual bonus opportunity should pay out for both the CEO and CFO.

There were no LTIPs vesting in respect of the performance period ending in 2015/16. The next LTIP due to vest will be based on performance ending in 2016/17.

Implementation of policy

Kevin O'Byrne left the Board in May 2015. His remuneration was treated in line with policy. Further details of this and the rationale for the treatment are set out in the Annual Report on Remuneration.

Véronique Laury's salary will increase by 7.9% from 1 April 2016 reflecting our previously stated intention to bring her towards the market median following her appointment as CEO last year. Karen Witt's salary is being increased by 4.5% to bring her towards the median for the retail sector, which the Committee believes is important in light of the strategic transformation the business is undertaking. The proposed approach to salaries is explained in more detail in the Annual Report on Remuneration.

2016 Annual General Meeting

I very much hope you will support our proposed Remuneration Policy along with our 2015/16 Directors' Annual Report on Remuneration at our forthcoming AGM in June. I will be available at the meeting to answer any questions about the work of the Committee.

Clare Chapman

Chairman of the Remuneration Committee

23 March 2016

Our new remuneration policy

On 25 January 2016, Kingfisher announced the details of our new strategy. The nature and extent of the transformation Kingfisher will undergo as a result of this new strategy is set out in detail in the Strategic Report section of this Annual Report. During the review of our strategy, it rapidly became clear that Kingfisher would need a different approach to remuneration to ensure that incentives were fully aligned with the delivery of the transformation. The Committee wanted to keep an open mind and take a bespoke approach that was truly tailored to our strategy. Our discussions led us to four key principles for our review of remuneration:

Remuneration principles

Employees as shareholders

- Encouraging all employees to become substantial long-term shareholders
- Share ownership acting as transparent performance pay aligned to shareholders
- Holding shares for the long-term even after leaving the business

Prioritising long term value

- Reducing and simplifying the annual bonus and placing greater focus on the long-term incentives
- Prioritising long-term value creation over short-term financial goals
- Setting genuinely long-term and stretching performance targets over five years

Supporting our culture

- Focusing incentives on team performance to create collective accountability
- Setting strategic targets and ensuring robust performance management and leaver treatment
- Maintaining fairness through a consistent cascade of pay structures

Simple and effective

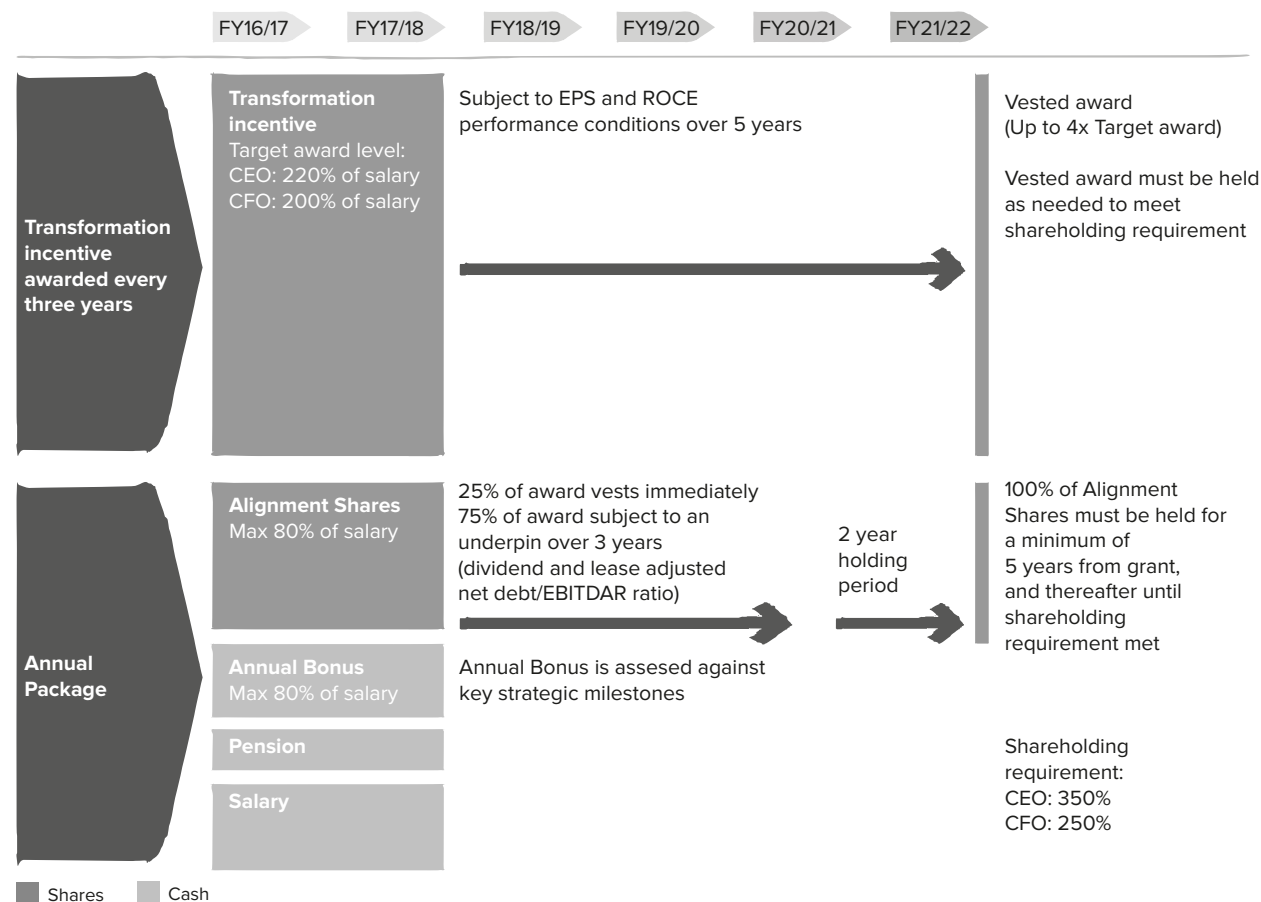
- Introducing simple plans linked to our strategy and the principle of ownership
- Paying people in a way that motivates them and in a form that they value
- Awarding long-term incentives to those with the most impact on the transformation

Under these principles we developed our new remuneration structure of which the key components are:

- a simplified annual package for executives comprising of fixed pay, a significantly reduced cash bonus based on strategic milestones, and Alignment Shares based on performance against balance sheet and business health metrics over three years;
- a single Transformation Incentive for executives to deliver our five year financial plan, replacing the Performance Share Plan awards that would have been made in 2016, 2017, and 2018; and
- an increased shareholding requirement of 350% of salary for the CEO and 250% for the CFO and any other executive director. The shareholding requirement applies in full for one year after leaving Kingfisher and to 50% for two years after leaving Kingfisher.

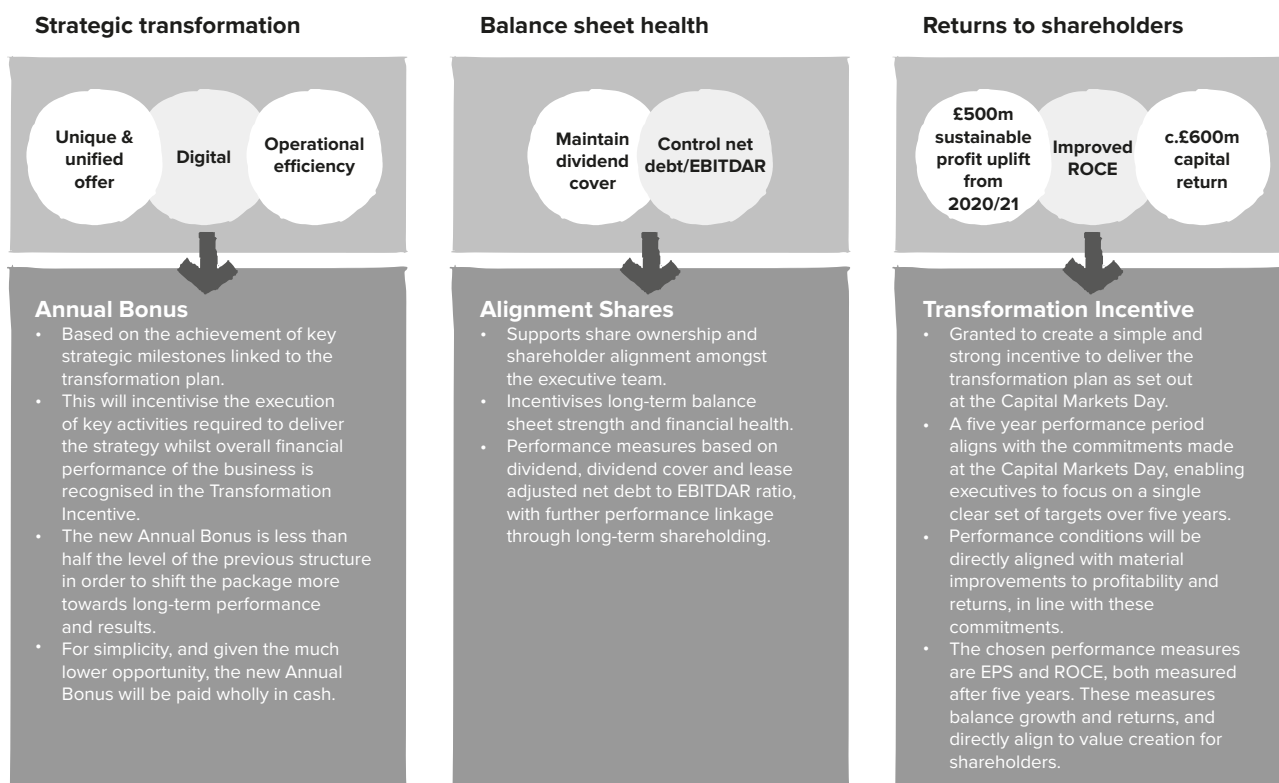
Directors' Remuneration Report continued

The graphic below illustrates how the new structure operates:



Rationale for new structure

Our strategic goals are directly connected to the remuneration structure so that remuneration supports what we are trying to achieve as a company, as illustrated below:

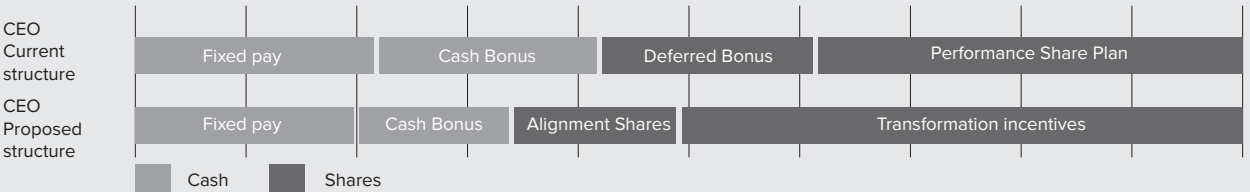


The changes to the structure significantly increase the long-term nature of the package, in terms of the proportion held in shares and the overall term of incentives. The package is simplified for executives, with each element playing a clearly defined role. Overall, the risk profile is increased with tougher performance conditions on the Transformation Incentive and the shift from short- to long-term incentives balancing the introduction of Alignment Shares (which are themselves subject to performance conditions and long vesting and holding periods). As a result the overall economic value of the package is broadly unchanged.

Focus on long term sustainable value

The remuneration structure has been reweighted towards the long-term with the average total term for incentives being increased from 2.8 years to 4.3 years.

The chart below shows the proportion of each reward element making up the total reward under the current structure and the proposed structure, based on achievement of the maximum value for the CEO.



Long term share ownership is a key feature of the new remuneration structure and aligns executives with shareholders and the long term success of the Company.

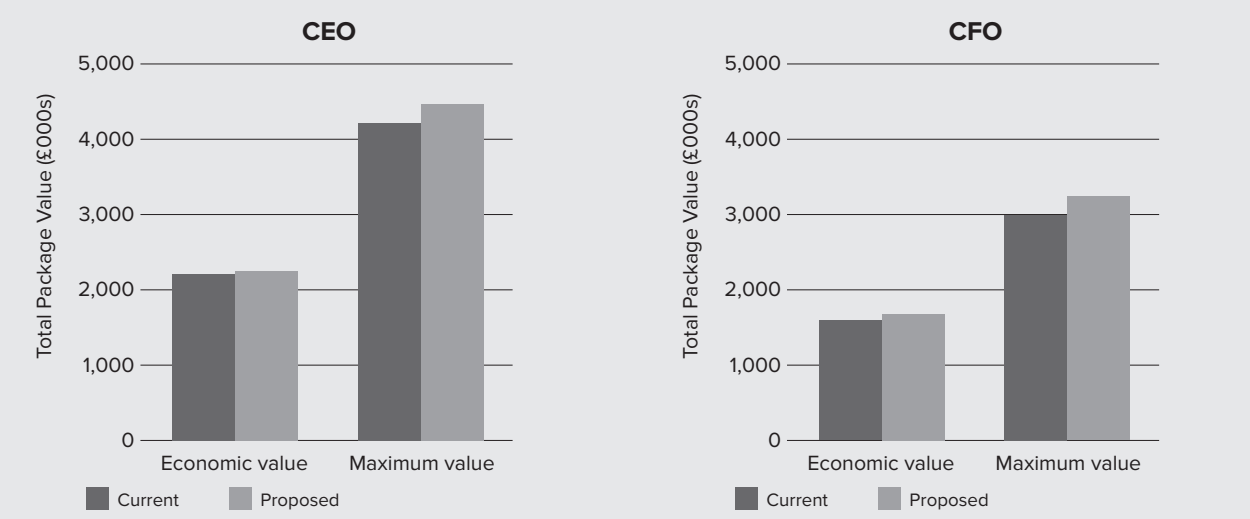
Shareholding requirements have been increased to:

- 350% of salary for CEO
- 250% of salary for CFO and any other executive director

In addition, 100% of the shareholding requirement will apply for the first year after leaving and 50% for the second year in order to maintain alignment with the Company for a period post departure.

Broadly similar economic value

Higher value can be delivered for very strong performance, but due to the tougher calibration of targets the economic value is roughly the same.



Note: Economic value reflects fixed pay, target bonus, and the value of long-term incentives taking into account timeframes and probability of meeting performance conditions. Awards under the Transformation Incentive are annualised over 3 years for comparability with the current package.

Base salary reflects the average salary over the policy period.

Directors' Remuneration Report continued

At a glance

Remuneration Policy

New remuneration structure

The table below sets out a summary of how the new remuneration structure will apply during the 2016/17 financial year. Further details are set out in the Directors' Remuneration Policy and in the Statement of Implementation of Policy for 2016/17.

Remuneration element	New remuneration structure																				
Base salary	2016 salaries as follows: <ul style="list-style-type: none">CEO: £755k (7.9% increase effective from 1 April 2016)CFO: £575k (4.5% increase effective from 1 April 2016)																				
Pension contribution	No change to current pension cash alternative rates of: <ul style="list-style-type: none">CEO: 12.5%CFO: 17.5%																				
Annual bonus	<ul style="list-style-type: none">Maximum bonus of 80% of salaryBased on strategic milestonesBonus paid in cash																				
Alignment Shares	<ul style="list-style-type: none">Annual award of 80% of salary, dependent on good personal performance over the period prior to grant.25% of award vests immediately but must be held for five years.75% of award vests after three years subject to underpin conditions, and subject to a further two year holding period.Following release from the holding period, 100% of shares must be held until the shareholding requirement is met.The underpin conditions will be as follows:<ul style="list-style-type: none">Maintenance of the dividend subject to dividend cover being above 1.75x; andMaintenance of the ratio of lease adjusted net debt to EBITDAR below 2.5x.If one underpin condition is not met then up to 50% of the unvested shares would lapse. If both are not met then up to 100% of the unvested shares would lapse.																				
Transformation Incentive	<ul style="list-style-type: none">A single Transformation Incentive granted after the 2016 AGM, replacing three years of the long-term incentive awards.Target award of 220% of salary for the CEO and 200% for the CFO with a 4x multiplier for exceptional performance, meaning an annualised equivalent of 293% and 267% of salary for the CEO and CFO respectively for exceptional performance.Five year performance period with performance based 50% each on ROCE and EPS as follows: <table><tr><th>Pay-out Multiple</th><th>EPS Growth (p.a.) (50% of award)</th><th>2020/21 ROCE (50% of award)</th></tr><tr><td>Zero</td><td>4%</td><td>12%</td></tr><tr><td>1x Target</td><td>6.5%</td><td>13%</td></tr><tr><td>2x Target</td><td>9%</td><td>14%</td></tr><tr><td>3x Target</td><td>12%</td><td>15%</td></tr><tr><td>4x Target</td><td>16%</td><td>17%</td></tr></table> <ul style="list-style-type: none">50% of vested shares must be held until the shareholding requirement is met.			Pay-out Multiple	EPS Growth (p.a.) (50% of award)	2020/21 ROCE (50% of award)	Zero	4%	12%	1x Target	6.5%	13%	2x Target	9%	14%	3x Target	12%	15%	4x Target	16%	17%
Pay-out Multiple	EPS Growth (p.a.) (50% of award)	2020/21 ROCE (50% of award)																			
Zero	4%	12%																			
1x Target	6.5%	13%																			
2x Target	9%	14%																			
3x Target	12%	15%																			
4x Target	16%	17%																			
Shareholding Guidelines	<ul style="list-style-type: none">Shareholding target of 350% of salary for the CEO, 250% for the CFO and any other executive director.Upon leaving, 100% of shareholding requirement applies for one year and 50% for a further year.																				

2015/16 Outcomes

Set out below are the key remuneration outcomes for 2015/16.

Single total figure of remuneration

£'000	Base salary	Taxable benefits	Bonus	LTIP	Pension	Total
Véronique Laury	700.0	228.1	967.4	–	87.5	1,983.0
Karen Witts	550.0	29.0	760.1	–	96.3	1,435.4

Bonus

Payout as % maximum	Weighting	Véronique Laury	Karen Witts
Financial element	80%	62.6%	62.6%
Personal element	20%	95.0%	95.0%
Total		69.1%	69.1%
Payout value (£'000)		967.4	760.1

LTIP

No LTIPs vested in respect of the performance period ending in 2015/16. The next LTIP due to vest will be based on performance ending in 2016/17.

Directors' Remuneration Policy

The Remuneration Policy is set out in this section. This policy will be put to shareholders for approval at the AGM to be held on 15 June 2016. The Policy is intended to apply, subject to shareholder approval, for three years from the 2016 AGM. Where a material change to this policy is considered, the Company will consult with major shareholders prior to submitting to all shareholders for approval.

The Remuneration Policy will be displayed on the Company's website (kingfisher.com) following the 2016 AGM.

Future Policy Table

Base salary

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

Base salaries are set with reference to two primary comparator groups; i) FTSE 25 – 75 excluding financial services organisations, and ii) FTSE 100 retailers and privately held retailers which are considered to be of a similar size and market capitalisation to the Company. The Committee also takes account of pay levels at other large European retailers. Alternative peer groups may need to be referenced depending on the business circumstances or domicile of individual executive directors outside the UK.

Base salaries are paid monthly in cash.

Maximum opportunity

Maximum increase of 8% per annum.

Increases awarded each year will be set out in the Statement of Implementation of Policy.

Assessment of performance

Individual performance is an important factor considered by the Committee when reviewing base salary each year.

Changes

Introduction of an 8% per annum limit on the salary increase.

Benefits

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 contributions (set out below), a company car or cash alternative, an allowance for financial planning, medical insurance, and life assurance cover. Other benefits may be provided from time to time if considered reasonable and appropriate by the Committee, such as relocation allowances, and will be explained in the next 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 discount may be offered to all directors on the same basis as offered to other Company employees.

Maximum opportunity

Maximum levels of benefit provision are:

- Car allowance £25,000 per annum
- Private medical insurance on a family basis
- Life assurance cover of 4x base salary (see notes)
- Financial planning at £2,500 per annum

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)

Store discount of up to 20% is offered.

Assessment of performance

None.

Changes

Clarification of a limit of 50% of salary for relocation support.

Pension

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.

For Karen Witts, in line with historic opportunity levels, the defined contribution rate is 20% of base salary and the cash alternative rate is 17.5% of base salary.

Assessment of performance

None.

Changes

The ongoing policy level, including for new joiners, has been reduced to 14% of salary (equivalent to 12.5% cash alternative), in line with the wider UK workforce.

Directors' Remuneration Report 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 and paid in cash after the end of the financial year to which they relate, based on performance against targets over the year.

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 applies under circumstances as set out in the notes to the policy table.

Maximum opportunity

The maximum Annual Bonus award is 80% of base salary.

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

Assessment of performance

The specific measures, targets and weightings may vary from year to year in order to align with the Company's strategy over each year.

The measures will be dependent on the Company's goals over the year under review and directly link to the key measurable strategic milestones to incentivise executives to focus on the execution of the strategy.

The performance targets are calibrated each year to align with the announced strategic plan.

The actual performance targets set are not disclosed at the start of the financial year, as they are considered to be commercially sensitive.

Where no longer commercially sensitive, performance targets and outcomes will be disclosed following the payment of bonuses.

Changes

Reduced maximum opportunity from 200% of salary to 80% and wholly paid in cash.

Performance measures changed from financial and personal to strategic.

Reflects a reduced emphasis on bonus within the overall package to ensure a focus on long-term results and the annual execution of strategic milestones.

Alignment Shares

Element and purpose

To align executives with the long-term health of the Company and with shareholder returns by providing a long-term share award subject to underpinning business health conditions, while ensuring competitive total reward.

Operation

Alignment Shares are awarded annually subject to good personal performance.

25% of the Alignment Shares vest immediately to create an immediate alignment with shareholders but must be held for five years from the date of grant.

The remaining 75% of the award vests after three years, subject to the achievement of an underpin. Awards vesting under this portion are subject to a two year holding period.

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

Malus and clawback applies 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

Annual award of 80% of salary.

Assessment of performance

Alignment Shares have two underpin conditions to ensure balance sheet and business health:

- maintenance of the dividend subject to a dividend cover test; and
- assessment of the ratio of lease adjusted net debt to EBITDAR.

The performance targets are calibrated to be robust in the context of the announced strategic plan.

If one condition is not met then up to 50% of the unvested shares would lapse. If both are not met then up to 100% of the unvested shares would lapse.

Performance will be considered each year and any reduction will apply to the award next due to vest.

The specific metrics may vary in future years in order to align with the Company's strategy, but will always include objective financial metrics, which will be set out prospectively in each Annual Report on Remuneration.

In the event that the lease adjusted net debt to EBITDAR ratio is exceeded due to a Board-approved acceleration of investment plans then the Remuneration Committee may apply discretion to allow vesting. In these circumstances the Committee may delay vesting by a further year to ensure sustainability of performance.

Changes

New element of remuneration. Designed to align executives with shareholders, in a simple and transparent way, and which are subject to sustainable long-term performance.

Transformation Incentive

Element and purpose

To incentivise executives to deliver improved growth and returns for shareholders by executing the transformation plan. To retain executives and provide market competitive total reward.

Performance conditions are aligned with shareholder interests and the commitments made to investors at the January 2016 Capital Markets Day.

Operation

Awards are granted once every three years, subject to a five year vesting period and stretching performance conditions throughout the five year performance period.

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

The Committee has the discretion to adjust the vesting outcome if the pure application of a formula 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 applies 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 on-target award granted once every three years is 220% of salary for CEO and 200% for CFO and any other executive directors.

A maximum multiplier of four times target can vest for exceptional performance.

For threshold performance a multiplier of zero is applied.

Only one award will be made to each executive director during this policy period.

Assessment of performance

Awards granted will vest based on performance over five years against the following performance measures:

- 50% EPS – compound annual growth to 2020/21
- 50% ROCE – performance in 2020/21

The performance measures have been chosen to balance growth and returns and ensure sustainable delivery of performance.

The performance targets are calibrated such that a level of performance above the Capital Markets Day commitments is required in order to achieve the maximum 4x multiple payout.

Changes

Grant every three years with enhanced opportunity level which replaces annual grant of 200% of salary.

Increase to five year performance period from three years.

Adoption of ROCE in place of the previous Kingfisher Economic Profit (KEP) returns measure.

Toughened performance requirements. The maximum performance target corresponds to performance significantly greater than was required for maximum vesting under the previous LTIP.

Reduction of threshold payment to zero.

Creates a strong, simple and clear incentive to deliver the strategy over the five year period.

Chairman and Non-executive director fees

Element and purpose

To attract and retain a Chairman and non-executive directors of the highest calibre.

Operation

The fees paid to the Chairman are determined by the Remuneration Committee, while the fees of the non-executive directors are determined by the Board with affected persons absents themselves from the discussions as appropriate.

The Committee reviews the Chairman's fees annually.

The Chairman's fees are determined with reference to time commitment and relevant benchmark market data.

Contributions are made towards the cost of running the Chairman's office.

The Board determines non-executive directors' fees under a policy which seeks to recognise the time commitment, responsibility and technical skills required to make a valuable contribution to an effective Board.

A base fee is paid to all non-executive directors and additional fees are also paid to the Senior Independent Director and the Chair of each of the Audit and Remuneration Committees.

Chairman and membership fees may be introduced for current and new committees.

Appropriate benefits 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 takes into account the time commitment expected of them.

Fees are paid monthly wholly in cash.

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

Maximum opportunity

Aggregate annual fees paid to the Chairman and non-executive directors are limited by the Company's Articles of Association, which may be varied by special resolution of the shareholders. The 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 Chairman's office will not exceed £60,000 per annum and are included within the aggregate fees set out above.

Assessment of performance

None.

Changes

No change.

All-employee share plans

Element and purpose

Executive directors may participate in all-employee share plans on similar terms as other employees.

Operation

In particular UK-based executive directors may participate in a tax approved all-employee scheme (Sharesave) under which they make monthly savings over a period of three or five years, that may be used to buy Kingfisher shares at a discounted price when the scheme matures. They may also choose to withdraw their savings at the end of the 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 participants to make monthly investments in Kingfisher shares.

Maximum opportunity

The maximum monthly limit for the Sharesave plan is currently £500 per month.

The maximum monthly 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 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

No change.

Directors' Remuneration Report continued

Approach to recruitment remuneration

Area	Policy and operation
Overall	<p>When hiring a new executive director, or making internal promotions to the Board, the Committee will apply the same policy as for existing executive directors, as detailed in the Remuneration Policy. The rationale for the package offered will be explained in the next Annual Report on Remuneration.</p> <p>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 Transformation Incentive grant in the policy period, an award may be made to bring the executive onto 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.</p> <p>The policy below is consistent with the principles of the previous recruitment policy which have been adapted in line with the new remuneration structure.</p>
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	<p>Benefits provision would be in line with normal policy.</p> <p>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.</p>
Pension	Pension provision would be in line with normal policy.
Incentive awards	<p>Incentive awards would be made under the Annual Bonus, Alignment Shares and Transformation Incentive in line with the normal policy.</p> <p>Where an individual joins after the Transformation Incentive grant in the policy period, an award may be made to bring the executive onto the in-flight cycle subject to the limits set out in the policy. Awards may be pro-rated for the portion of vesting period served.</p>
Buy-out awards	<p>In addition to normal incentive awards, buy-out awards may be made to reflect value forfeited through an individual leaving their current employer.</p> <p>If a buy-out 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, shares, Alignment Shares, Transformation Incentive or any other method as 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.</p> <p>In establishing the appropriate value of any buy-out the Committee would also take into account the value of the other elements of the new remuneration package.</p> <p>The Committee would aim to minimise the cost to the Company, however, buy-out awards are not subject to a formal maximum. Any awards would be broadly no more valuable than those being replaced.</p>

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 in the Company.

The shareholding requirement is 350% of salary for the CEO and 250% for any other executive director.

All shares beneficially owned and nil-cost awards which have vested but that the executive has yet to exercise are considered to count towards the shareholding on a notional post-tax basis. Deferred bonus shares, awarded under the previous Remuneration Policy, are not included in the assessment of the shareholding requirement until the transfer of beneficial ownership to the executive at the end of the three year deferral period.

Until the shareholding requirement is met, executive directors are required to retain 100% of vested post-tax Alignment Shares, retain 50% of vested post-tax Transformation Incentive shares, and retain 50% of post-tax shares that vest from awards granted under the previous Remuneration Policy. It is expected that executives would retain 100% of post-tax shares from the Transformation Incentive until the requirement is met.

Upon leaving the Company, the shareholding requirements will continue to apply for two years. This will be 100% of the shareholding requirement for the first year and will be 50% of the shareholding requirement for the second year after departure.

Notes to the future policy table

Malus and clawback

Malus and clawback may operate in respect of the Annual Bonus, Alignment Shares and Transformation Incentive. 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. Clawback will apply to the cash bonus for a period of three years following payment and for a period of two years following vesting under the Alignment Shares and Transformation Incentive. These provisions could take effect in the event of financial misstatement, serious reputational damage, or material misconduct in individual cases.

Change of control

In the event of a change of control of the Company, share awards will normally vest subject to performance conditions. Alignment Shares and Transformation Incentive 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 "Service contracts and the policy on payment for loss of office" section of this Directors' Remuneration Policy.

The Committee may alternatively consider that such a reduction is inappropriate, e.g. if it is agreed with an acquirer to rollover 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, which include but are not limited to:

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

Discretions set out as part of this Remuneration Policy provide the Committee with discretion in certain matters regarding the administration and operation of the Alignment Shares and Transformation Incentive (as set out in the corresponding plan rules approved by shareholders), including, but not limited to the following:

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

In relation to the Annual Bonus Plan, Alignment Shares, and Transformation Incentive, 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 which would lead the Committee to consider that it would be appropriate to do so, provided that such an amendment would not be materially less difficult to satisfy than the unaltered 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 next 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 Share Incentive Plan) would be exercised within the parameters of the HMRC approved plan status and the Financial Conduct Authority'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 12 June 2014 AGM and included within the 2013/14 Annual Report and Accounts.

Differences in remuneration policy for all employees

The remuneration structure for members of the Group Executive follows the same approach as to the executive directors but with a lower maximum opportunity as appropriate. The Transformation Incentive is granted only to the executive directors and members of the Group Executive.

For the next tier of management below the Group Executive, the remuneration structure consists of base salary, benefits, pension, bonus, and Alignment Shares. Performance measures are tailored to reflect the relevant position of the individual and the relevant part of the business in which they operate.

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 is invited to present to the Committee on the proposals for salary increases for the employee population generally and on any other changes to the Company's Remuneration Policy. The Chief People Officer consults with the Committee on the KPIs 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 Company.

The Committee is provided with data on the remuneration structure for all individuals in Kingfisher's leadership team which includes Operating Company 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 Company did not consult with employees when drafting the Directors' Remuneration Policy.

Statement of consideration of shareholder views

The Committee has consulted extensively with the Company's largest shareholders and their representative bodies on the proposed Directors' Remuneration Policy.

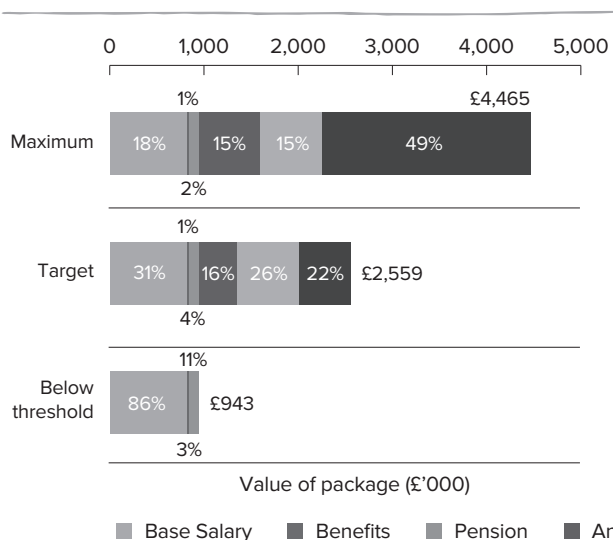
We were pleased that the vast majority of our shareholders were very supportive of our remuneration principles and the proposed design. We were grateful for the constructive feedback provided throughout the process which was taken on board in our final proposals. The Committee remains committed to ongoing dialogue with the Company's shareholder base.

Directors' Remuneration Report continued

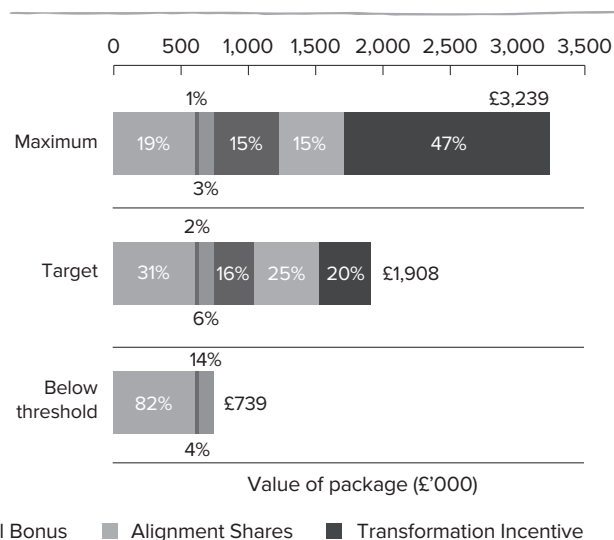
Illustration of the application of the Remuneration Policy

The tables and charts below provide estimates of the potential total future remuneration for each executive director in respect of the remuneration opportunity granted to them in 2016/17. Potential outcomes for each executive director, based on three different performance scenarios, are shown. These scenarios do not take into account share price appreciation or dividends received.

Véronique Laury



Karen Witts



Notes

Base salary reflects the average salary over the policy period based on an assumption that the maximum salary increases are awarded over the period, i.e. 8% p.a. for the CEO and 5% p.a. for the CFO.

Benefits: Estimate based upon benefits received during 2015/16 as recorded in the single figure table of remuneration excluding the relocation support for Véronique Laury which is now complete.

Pension: Shown as a percentage of salary in line with policy.

Transformation Incentive: One Transformation Award will be granted in the first three years. The figures above have been annualised by dividing the Transformation Incentive by three in recognition that there will be no award in years two and three.

Fixed remuneration comprises base salary, benefits and pension. Short-term variable compensation comprises the annual bonus. Long-term variable compensation comprises both the Alignment Shares and the Transformation Incentive.

Performance scenarios

Below threshold	On-target	Maximum
Only the fixed pay elements (base salary, benefits and pension) of the package are received.	Fixed pay elements plus target Annual Bonus are received, Alignment Shares and target Transformation Incentive vests.	Fixed pay elements plus maximum Annual Bonus are received, Alignment Shares, and maximum Transformation Incentive vests.
Minimum performance targets for the Annual Bonus and Transformation Incentive are not achieved, therefore no payments will be made and awards will lapse.	Alignment Shares are equivalent to 80% of base salary.	Alignment Shares are equivalent to 80% of base salary.
The underpin requirement for the unvested Alignment Shares is not met and the pre-grant requirement is not achieved.	Annual Bonus on-target performance is achieved, resulting in a bonus of 50% of salary.	Annual Bonus maximum performance achieved resulting in a bonus of 80% of salary.
	Annualised Transformation Incentive on-target performance achieved resulting in a 1x multiplier. The annualised value is 73% of salary for the CEO and 67% of salary for the CFO.	Annualised Transformation Incentive maximum performance achieved resulting in a 4x multiplier. The annualised value is 293% of salary for the CEO and 267% of salary for the CFO.

Service contracts and policy on payment for loss of office

Provision	Policy
Notice period	12 months' notice by either the director or the Company.
Non-compete	During employment and for 12 months after leaving.
Executive directors	Resignation
Contractual	No payments on departure will be made on termination, even if by mutual agreement the notice period is cut short.
Termination payment	<p>Departure not in the case of resignation</p> <p>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.</p> <p>For the period of notice not served, the executive director may receive a payment in lieu of notice. This would be delivered by continuing to pay their monthly base salary over this period and would be subject to mitigation.</p> <p>No other payments should be due on departure.</p> <p>Settlement agreement</p> <p>The Committee may agree payments it considers reasonable in settlement of legal claims.</p> <p>This may include an entitlement to compensation in respect of their statutory rights under employment protection legislation in the UK or in other jurisdictions.</p> <p>The Committee may also include in such payments reasonable reimbursement of professional fees in connection with such agreements.</p>
Treatment of incentives for bad leavers	No payments under any incentive plans will be made in the event of the Committee determining the departing individual to be defined as a bad leaver.
Leaver provisions for Annual Bonus for good leavers	<p>Bonus payments may be receivable at the normal date, pro-rated for time, and taking into account performance achieved.</p> <p>The Committee retains the ultimate discretion to make bonus payments and determine the basis upon which they are made and their value taking into account the individual circumstances of the departure.</p>
Alignment Shares for good leavers	<p>The default position is that awards will lapse upon cessation of employment.</p> <p>If the Committee is of the view that performance has been good, discretion may be applied for the shares to vest. The shares would continue to be subject to the normal underpin condition and would be released according to the normal timeframe but not subject to the holding period provided that the shareholding requirement is met.</p> <p>Awards made in the 12 months prior to departure may be pro-rated based on the proportion of the 12 months from grant that has been served.</p> <p>Where the participant ceases to be employed as a result of death, then the award will vest shortly after the Company is notified, pro-rated for time, and take into account the Committee's assessment of performance achieved to that date.</p> <p>The Committee may decide, acting fairly and reasonably, that any adjustment set out above to reduce the vesting of the award would be inappropriate.</p>
Transformation Incentive for good leavers	<p>Awards will vest on the normal date, pro-rated for time, and will take into account performance achieved.</p> <p>The Committee retains discretion to further reduce the awards granted to reflect any personal performance issues.</p> <p>Where the participant ceases to be employed as a result of death, then 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.</p> <p>The Committee may decide, acting fairly and reasonably, that any adjustment set out above to reduce the vesting of the award would be inappropriate.</p>
Shareholding requirements	<p>Upon leaving the Company, the shareholding requirement will continue to apply for two years.</p> <p>The shareholding requirement will be 100% of the shareholding requirement for the first year and 50% for the second year after departure.</p> <p>Shareholding requirements will no longer apply in the case of death. At their discretion, the Committee may apply the same treatment in cases of ill-health.</p>
Chairman and non-Executive directors	Non-executive directors are appointed under letters of engagement.
Contractual	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.
Termination payment	<p>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.</p> <p>The Company has no obligation to pay compensation when the appointment terminates.</p>

Directors' Remuneration Report continued

Annual Report on Remuneration

The Annual Report on Remuneration outlines how the Committee implemented the previous Directors' Remuneration Policy for the financial year ended 31 January 2016. This report, together with the Annual Statement from the Chairman of the Remuneration Committee, will be put to shareholders for approval at the Annual General Meeting to be held on 15 June 2016. Shareholder approval 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) (Amendment) Regulations 2013 and also 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.

Single total figure of Remuneration for the executive directors

(audited information)

The table below sets out the remuneration of each of the executive directors and former executive directors for the financial year ended 31 January 2016 and the comparative figures for the financial year ended 31 January 2015.

	1. Base salary £'000		2. Taxable benefits £'000		3. Bonus £'000		4. LTIP £'000		5. Pension £'000		Total £'000	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
Executive directors												
Véronique Laury ⁽¹⁾	700.0	104.0	228.1	13.6	967.4	29.1	–	–	87.5	13.0	1,983.0	159.7
Karen Witts	550.0	525.0	29.0	28.7	760.1	199.5	–	–	96.3	93.3	1,435.4	846.5
Former executive directors												
Kevin O'Byrne ⁽²⁾	187.8	639.5	8.4	26.8	37.6	452.8	–	–	37.1	126.4	270.9	1,245.5
Total	1,437.8	1,268.5	265.5	69.1	1,765.1	681.4	–	–	220.9	592.1	3,689.3	2,251.7

(1) Véronique Laury was appointed as Chief Executive Officer on 8 December 2014 and her remuneration for the period from her appointment to the year end is shown in the 2014/15 prior year comparative. The majority of the CEO salary for the 2014/15 financial year was made up of the salary paid to Sir Ian Cheshire who had a higher salary than his successor, Véronique Laury. The like-for-like comparison is therefore a 15% reduction.

(2) Kevin O'Byrne left the Company on 15 May 2015 and his remuneration for 2015/16 covers the period from the start of the financial year to his date of leaving.

Notes to the single total figure of Remuneration for the executive directors

(audited information)

1. Base Salary

Executive directors' salaries were increased at the start of the 2015/16 financial year with effect from 1 February 2015. No other reviews took place during the year.

	As at 1 February 2015 £'000	As at 1 February 2014 £'000	% increase
Executive directors			
Véronique Laury	700.0	700.0 ⁽¹⁾	n/a
Karen Witts	550.0	525.0	5% ⁽²⁾
Former executive directors			
Kevin O'Byrne	639.5	639.5	0%

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

(2) The increase for Karen Witts was disclosed in last year's report within the Statement of Implementation of the Remuneration Policy.

2. Taxable Benefits

The benefits provided to executive directors and former executive directors for both 2015/16 and 2014/15 included car benefit (or cash allowance), private medical insurance, death-in-service cover, financial advice and, where applicable, relocation support.

	Car benefit ⁽¹⁾ £'000	Medical £'000	Financial advice £'000	Relocation support ⁽²⁾ £'000	Sharesave £'000	Life assurance £'000	Total 2015/16 £'000	Total 2014/15 £'000
Executive directors								
Véronique Laury	16.7	3.3	2.5	203.8	–	1.8	228.1	13.6
Karen Witts	22.2	2.1	2.5	–	–	2.2	29.0	28.7
Former executive directors								
Kevin O'Byrne	6.5	0.6	–	–	–	1.3	8.4	26.8
Total	45.4	6.0	5.0	203.8	0.0	5.3	265.5	69.1

(1) Véronique Laury opted for a company car. Karen Witts and Kevin O'Byrne opted for the cash allowance.

(2) Relocation support reflects the cost of relocation support incurred in 2015/16 for Véronique Laury. This completes the relocation support. When combined with the £10,500 incurred in 2014/15, the overall level of support was £214,300, compared to the budget provided of £350,000. Note that these figures are inclusive of the tax payable on the expenses reimbursed.

3. Annual Bonus

The executive directors' targets for the 2015/16 bonus were based on both financial targets and individual objectives as set out in the tables below, with annual bonus payments determined by reference to performance over the financial year ended 31 January 2016. For the financial targets, achievement is calculated on a straight-line basis between start to earn and target and between target and maximum.

The table below shows the target ranges set, the business outturn and the bonus outcomes achieved as a percentage of maximum.

Targets

Financial measures	Minimum 10% of maximum	Target 50% of maximum	Maximum	Achieved
Group Profit Before Tax growth	1.0%	5.0%	8.1%	8.4%
Group Like-for-Like sales growth	1.7%	2.7%	3.7%	2.3%
Group Working Capital cash flow	(£22.6m)	£7.0m	£61.0m	£5.7m

Outcomes

Executive directors	Véronique Laury	Karen Witts	Kevin O'Byrne
% of performance target achieved			
Group Profit Before Tax growth	30/30	30/30	n/a
Group Like-for-Like sales growth	10.5/30	10.5/30	n/a
Group Working Capital cash flow	9.6/20	9.6/20	n/a
Personal	19/20	19/20	10/20
Total (as a proportion of maximum opportunity)	69.1/100	69.1/100	10/100
Award level £'000	967.4	760.1	37.6

Notes

Group profit before tax is before exceptional items.

Group working capital cash flow excludes B&Q China, exceptional and certain non-trading items.

Results are shown on a constant currency basis.

As part of his leaving terms, Kevin O'Byrne was entitled to a pro-rata bonus under the personal element of the bonus only. He was not entitled to a bonus under the financial measures.

The annual bonus will be paid in April 2016 for the financial year 2015/16. For the current executive directors, 50% of the annual bonus awarded will be deferred for a period of three years in Kingfisher shares, and be due to vest in 2019. The only qualifying condition for the deferred bonus awards to vest is for the executive director to remain in the employment of the Company and not to be serving notice at the vesting date. Kevin O'Byrne will receive his bonus wholly in cash.

Personal objectives

Véronique Laury's outcome against personal objectives is due to the successful development and mobilisation of the new Kingfisher strategy, restructuring of the senior management team to drive the new strategy forward, her strong leadership of the wider team, successful delivery of the first 'sharp' decisions, and delivery of underlying financial business performance during a period of strategic change.

Karen Witts' outcome against personal objectives is due to the successful unification of the goods not for resale (GNFR) process, strengthening of the Finance Team, contribution and support to the Group Executive, and the successful development of the five year plan, leading to the Capital Markets Day in January.

The Board's view was that Véronique and Karen had performed strongly against all of their objectives in a transformational year for Kingfisher, warranting an award of 19/20 in both cases on this element.

Kevin O'Byrne's outcome against personal objectives is due to achievement against specific goals relating to the well-structured hand over to the B&Q Board and communication to store staff of the change in management, maintenance of profitability within B&Q, growth in the Kitchen business, and successful execution of the Easier initiative.

The Board's view was that Kevin had met expectations in these objectives relating to his transition, warranting an award of 10/20 on this element.

Directors' Remuneration Report continued

4. LTIP

The value of LTIPs shown in the single figure table shows the level of award resulting from targets set and measured over the relevant reporting period (financial year ended 31 January 2016). There were no LTIPs vesting in respect of the performance period due to Kingfisher previously moving from a one-off LTIP award to an annual LTIP grant.

The 2011 PSP award level was determined with reference to performance ending in 2013/14 and was therefore shown in full in the 2013/14 single figure table in line with the regulations, even though the vesting took place across two separate vesting dates on 17 June 2014 and 17 June 2015.

For reference, the table below shows the final value of the shares relating to the second tranche at the point of vesting on 17 June 2015.

	Total number of shares vesting in the second tranche ⁽¹⁾	Dividend subsequently added up to the vesting date	Lapsed shares ⁽²⁾	Number of shares vesting on 17 June 2015	Value of shares vesting ⁽³⁾
Executive directors					
Véronique Laury	24,427	474	–	24,901	£90,515
Karen Witts	82,971	1,611	–	84,582	£307,456
Former executive directors					
Kevin O'Byrne	191,863	3,726	4,499	191,090	£694,612

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

(2) As part of the time pro-rata adjustment for Kevin O'Byrne on leaving.

(3) Shares valued at 363.50p, this being the closing price of the Company's shares on the vesting date.

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, directors may choose to opt out of the scheme completely, if for example, they have reached the lifetime allowance.

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

	Notional employer contribution rate into defined contribution pension scheme to which the individual is eligible	Member of the UK DC Scheme	Cash allowance in lieu of employer contributions into DC Scheme	Equivalent cash allowance rate as % of salary
Executive directors				
Véronique Laury	14%	No	Yes, in full	12.5%
Karen Witts	20%	Yes	Yes, in excess of the annual allowance	17.5%
Former executive directors				
Kevin O'Byrne	20%	No	Yes, in full	19.8%

Notes

Kevin O'Byrne opted out of the UK DC Scheme with Fixed Protection 2012. The cash allowance rate shown reflects legacy arrangements for Kevin O'Byrne.

Karen Witts' own member contributions took up the Annual Allowance headroom meaning that the full employer contribution was paid as a cash alternative.

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

Pension benefits paid during the year

	Employer contributions into DC Scheme £'000	Cash alternative £'000	Total 2015/16 £'000	Total pension benefit as a % of base salary
Executive directors				
Véronique Laury	n/a	£87.5	£87.5	12.5%
Karen Witts ⁽¹⁾	£0.0	£96.3	£96.3	17.5%
Former executive directors				
Kevin O'Byrne	n/a	£37.1	£37.1	19.8%

(1) Salary Sacrifice member contributions into the Kingfisher Defined Contribution pension scheme were made by Karen Witts to the value of £40,025.

Payments for loss of office

(audited information)

The table below sets out the treatment in relation to executive directors who left the business during the year, which was applied in line with the Remuneration Policy. For 2015/16 this applies to Kevin O'Byrne only. Mr O'Byrne received a total payment for loss of office of £815,995 made up of the elements explained in the "payment in lieu of notice" and "other" sections below. The breakdown below also includes the treatment of his unvested incentive schemes.

Extract from Remuneration Policy as approved at the 2014 Annual General Meeting

	Kevin O'Byrne
	Stepped down from the Board and left the Company on 15 May 2015.
Base salary, benefits and pension If notice is served by either party, the executive director may continue to receive base salary, benefits and pension for the duration of their notice period.	Notice was served on 31 March 2015. Mr O'Byrne continued to receive his base salary, benefits and pension contributions as normal for the period up to 15 May 2015. These are disclosed in the single figure table.
Payment in lieu of notice For any period of notice not served: Kevin O'Byrne would receive phased payments of 12% of base salary for a maximum of 12 months, subject to mitigation.	Mr O'Byrne received a monthly payment of £76,745 for 10½ months, this being the balance of his 12 month notice period not worked. The total value of payments under the liquidated damages was £803,995.
Annual Bonus If notice is served by either party, the executive director may receive bonus payments in cash on a pro-rated basis from the start of the financial year up to the date of termination of employment, based on the determination of the results at the year-end against targets set.	Mr O'Byrne was eligible to participate in the 2015/16 annual bonus scheme to recognise his personal contribution during the 3½ months of the financial year that he has worked. The award level was based on the personal element only, which is 20% of the normal bonus opportunity, with no award being due under the remaining financial measures of the scheme. The overall award level was £37,560.
Deferred bonus Deferred bonus awards granted under the KISS lapse if the executive director resigns or is dismissed for cause. In all other circumstances, the award will vest in full on the date of cessation of employment. Deferred bonus awards granted under the KISP lapse if the executive director resigns or is dismissed for cause. In all other circumstances, where the Committee determine that good leaver treatment applies, the award will vest in full on the normal vesting date.	These vested in full. The shares awarded under the former KISS scheme vested on the leaving date and were valued on that date at £288,276 (based on 81,457 shares under the 2013 and 2014 awards at 353.90p). The shares awarded under the KISP rules will vest on the normal vesting date of 23 April 2018. Based on the share price on 29 January 2016 these are valued at £216,690 (66,449 shares under the 2015 award at 326.10p). These awards have previously been disclosed in the single figure table in the relevant year.
LTIP Awards granted under the PSP and LTIP lapse if the executive director resigns or is dismissed for cause. In all other circumstances, where the Committee determine that good leaver treatment applies, the award will vest on a time pro-rated basis and subject to performance conditions.	The second tranche of the award granted under the Performance Share Plan in 2011 vested on the normal vesting date of 15 June 2015 and was pro-rated (97.7%) to take into account the length of time Mr O'Byrne was employed over the vesting period. The value of the shares on the vesting date was £694,612 (based on 191,090 shares at 360.50p). This award has previously been disclosed in the single figure table in the relevant year. The 2014 LTIP lapsed in full on his leaving date and he was not invited to participate in the 2015 LTIP award.
Other Reasonable reimbursement of professional fees in connection with settlement agreements	A contribution of £12,000 towards legal fees was made.

Directors' Remuneration Report continued

Payments to past directors

There were no payments to past directors.

Outside appointments for executive directors

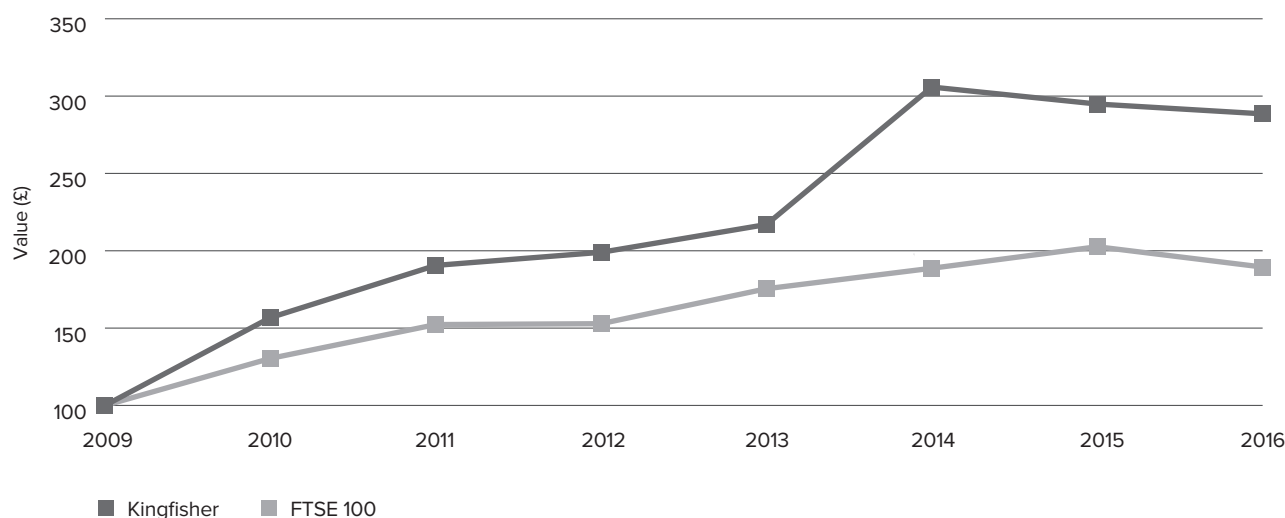
Subject to the rules governing conflicts of interest, the Company is supportive of its executive directors holding external non-executive positions, in recognition that such roles can broaden their experience and knowledge, which can be of benefit to Kingfisher. Subject to the Committee's agreement, any fees may be retained by the individual.

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

Kevin O'Byrne was a non-executive director, Senior Independent Director and Chairman of the Audit Committee of Land Securities Group plc, while he was an executive director of Kingfisher. He was paid £67,500, £10,000 and £17,500 per annum respectively for fulfilling these roles and he retained these fees.

Performance graph

The graph below shows Kingfisher's total shareholder return for the seven years to 31 January 2016, which assumes that £100 was invested in Kingfisher on 1 February 2009. The Company chose the FTSE100 Index as an appropriate comparator for this graph, as Kingfisher has been a constituent of that index throughout the period.



Chief Executive Officer's remuneration over the last seven years

The table below sets out the total remuneration of the holder of the office of Chief Executive Officer for the period from 1 February 2009 to 31 January 2016.

Year	Chief Executive Officer	Bonus % of maximum awarded ⁽¹⁾	Value of bonus awarded £'000	Original LTIP grant level as a % of salary ⁽²⁾	LTIP % of maximum vesting %	Value of vested shares £'000	Chief Executive Officer's single figure £'000
2009/10	Sir Ian Cheshire	98.7	1,610.8	125	44.6	265.9	3,067.8
2010/11	Sir Ian Cheshire	83.8	1,367.6	200	100.0	2,819.7	5,350.8
2011/12	Sir Ian Cheshire	93.5	1,525.9	200	98.9	6,083.0	8,628.3
2012/13	Sir Ian Cheshire	30.8	502.7	200	50.0	1,157.6	2,817.2
2013/14	Sir Ian Cheshire	32.0	532.7	500	31.1	1,799.4 ⁽³⁾	3,455.4
2014/15 ⁽⁴⁾	Sir Ian Cheshire (45 weeks)	12.0	173.5	n/a	n/a	n/a	1,146.4
2014/15 ⁽⁴⁾	Véronique Laury (7 weeks)	14.0	29.1	n/a	n/a	n/a	159.7
2014/15 ⁽⁴⁾	Total (52 weeks)	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

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

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

(3) The value of the LTIP for 2013/14 has been restated using the share price at the date of vesting. In last year's report the second tranche was valued using the average share price for the last three months of the 2014/15 financial year. It has now been re-valued based on the share price on the actual vesting date of 17 June 2015 now that this share price is known.

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

Change in the remuneration of the Chief Executive Officer

The table below shows how the percentage change in the Chief Executive Officer's salary, benefits and bonus between 2014/15 and 2015/16 compared with the average percentage change of each of those components for all full-time equivalent employees based in the UK. The UK employee workforce was chosen as a suitable comparator group as the Chief Executive Officer is based in the UK (albeit with a global role and responsibilities) and pay changes across Kingfisher vary widely depending on local market conditions.

The reduction in salary of 15% reflects the change in Chief Executive Officer on 8 December 2014. The majority of the CEO salary for the 2014/15 financial year was made up of the salary paid to Sir Ian Cheshire who had a higher salary than his successor, Véronique Laury.

The increase in benefits for the Chief Executive Officer is distorted by the inclusion of the one-off relocation costs for Véronique Laury. Removing the relocation costs leads to a reduction in benefits of 33%.

The bonus has increased substantially for the Chief Executive Officer due to the achievement of the financial elements of the bonus in 2015/16. The prior year comparative only included an award under the personal element which was only 20% of the overall bonus opportunity. Bonus schemes for all UK employees are set at local level and have a lower level of volatility from one year to the next.

	Chief Executive Officer		All UK Employees
	To 31 January 2016 £'000	Percentage change 2015/16 vs 2014/15	
Base Salary	700.0	(15%)	6.0%
Taxable Benefits	228.3	387%	4.4%
Annual Bonus	967.4	377%	0.6%
Total	1,895.5	76%	5.4%

Relative importance of spend on pay

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

£m	2015/16	2014/15	Percentage change
Overall expenditure on pay ⁽¹⁾	1,499	1,561	(4%)
Ordinary dividend paid in the year ⁽²⁾	232	234	(0.9%)
Special dividend paid in the year	–	100	–
Total dividends paid in the year	232	334	(30%)

(1) The decline year-on-year is caused by foreign exchange rate movements. On a constant currency basis, the percentage change is a 1.4% increase.

(2) Although the overall dividend declined year on year, the ordinary dividend per share increased by 1%.

Executive directors' shareholdings and share interests

(audited information)

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

The table below sets out the beneficial interests of the executive directors in the ordinary shares of the Company and a summary of the outstanding share awards as at 31 January 2016. Calculations are based on a share price of 326.1p (being the closing price of a Kingfisher share on 29 January 2016).

Name	Shares held		Awards over nil cost options			Shareholding requirement (% of base salary)	Shareholding 31 January 2016 (% of base salary)	Date by which shareholding requirement to be achieved
	No of shares held outright		Vested but not exercised ⁽¹⁾⁽²⁾	Unvested and subject to continued employment ⁽³⁾	Unvested and subject to performance conditions and continued employment ⁽⁴⁾			
Executive directors	31 Jan 2016	31 Jan 2015						
Véronique Laury ⁽⁵⁾	192,058	150,577	25,124	30,777	522,417	300%	96%	December 2019
Karen Witts ^{(5) (6)}	110,736	110,202	85,342	77,643	604,305	200%	92%	October 2017
Former executive directors								
Kevin O'Byrne ⁽⁷⁾	–	410,698	–	414,429	355,004	200%	220%	n/a

(1) Vested but not exercised shares relate to shares which vested under the second tranche of the 2011 PSP in June 2015.

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

(3) Includes options granted to Karen Witts under an HMRC-approved ShareSave plan (8,868 shares) and CSOP plan (11,337 shares) which are not in the form of nil-cost options.

(4) Relates to the 2014 LTIP granted on 15 September 2014 and the 2015 LTIP granted on 5 May 2015.

(5) As potential beneficiaries of the Kingfisher Employee Benefit Trust (the "Trust"), Véronique Laury and Karen Witts are deemed to have an interest in the Company's ordinary shares held by the Trust. The Trust held 6,926,918 ordinary shares at 31 January 2016.

(6) Between 1 February 2016 and the date of this report, Karen Witts acquired 87 partnership shares under the Kingfisher Share Investment Plan (SIP).

(7) Kevin O'Byrne left the Company on 15 May 2015 and his shareholding is shown as of this date.

Directors' Remuneration Report continued

Share awards made during the financial year

(audited information)

Options and awards over shares were made during the year ended 31 January 2016 under the Kingfisher Incentive Share Plan (KISP) in respect of the deferred share element of the 2014/15 annual bonus and for the 2015 LTIP Award.

1. Deferred element of the 2014/15 annual bonus

The only qualifying condition for the deferred bonus awards to vest is for the executive director to remain in the employment of the Company and not to be serving notice at the vesting date.

Name	Date of grant	Number of shares	Face value of award £	Vesting date	Final exercise date
Executive directors					
Véronique Laury	23 April 2015	10,199	35,741	23 April 2018	22 April 2022
Karen Witts	23 April 2015	28,464	99,750	23 April 2018	22 April 2022

Notes

The deferred bonus awards were made under the KISP and were calculated by reference to the share price for the three dealing days prior to the grant of 350.43p per share.

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

The award for Véronique Laury relates to the full 2014/15 financial year meaning that part related to the period prior to her appointment as Chief Executive Officer and part post her appointment. The single figure table last year only included the element relating to the period post her appointment.

2. 2015 LTIP Award

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

Name	Date of grant	Number of shares	Face value of award £ ⁽¹⁾⁽²⁾	Vesting date	Final exercise date ⁽³⁾
Executive directors					
Véronique Laury	05 May 2015	398,213	1,400,000	05 May 2018	04 May 2022
Karen Witts	05 May 2015	312,882	1,100,000	05 May 2018	04 May 2022

(1) The award value is based on 200% of base salary

(2) The awards were made under the KISP and were calculated by reference to the share price for the three dealing days prior to the grant of 351.57p per shares.

(3) The awards are structured as nil-cost options and UK awards and have an exercise period of four years less one day.

The performance measures attached to the 2015 LTIP were EPS and KEP with equal weighting of 50% each.

A definition of KEP is included in the glossary. The targets for the EPS element were as follows:

Performance Measure	Threshold – 25% vesting	Maximum – 100% vesting
Earnings per share – compound annual growth up to the end of the 2017/18 financial year	4%	11.5%

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

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

Scheme interests exercised during the financial year

(audited information)

Name		Number of shares	Exercise price per share (p)	Total exercise price £'000	Date of exercise	Market value of shares at date of exercise (p)	Gain on exercise of options £'000
Executive directors							
Véronique Laury	Performance Share Plan – 2011 Award (Fr)	24,427	Nil	Nil	05/05/2015	355.25	86.8
	Kingfisher Incentive Share Scheme (KISS) – 2012 Award	27,304	Nil	Nil	05/05/2015	355.25	97.0
Former executive directors							
Kevin O'Byrne	Performance Share Plan – 2011 Award	191,090	Nil	Nil	18/06/2015	362.72	693.1
	Kingfisher Incentive Share Scheme – 2012 Award	138,513	Nil	Nil	28/04/2015	349.31	483.8
	Kingfisher Incentive Share Scheme – 2013 Award	43,162	Nil	Nil	28/05/2015	374.00	161.4
	Kingfisher Incentive Share Scheme – 2014 Award	38,295	Nil	Nil	28/05/2015	374.00	143.2

Karen Witts did not exercise any shares or nil cost options during the year.

Dilution limits

Awards granted under the Company's share plans are satisfied by newly issued shares. 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 Company's issued share capital over a ten-year period in relation to the Company's issued share capital, with a further limitation of 5% in any ten-year period on executive plans. The Committee regularly monitors this position to ensure these limits are adhered to. Any awards which are satisfied by market purchased shares are excluded from these calculations. No treasury shares were held or utilised in the year ended 31 January 2016.

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 2016 and the comparative figures for the year ended 31 January 2015. During the year, no payments were made to non-executive directors for expenses other than those incurred in the ordinary course of their appointments.

	Additional Responsibilities	Committee Membership ⁽¹⁾	Fees 2015/16 £'000	Fees 2014/15 £'000
Daniel Bernard ⁽²⁾⁽³⁾	Chairman, Chairman of the Nomination Committee	R, N	453.6	453.6
Andrew Bonfield	Chairman of the Audit Committee	A, R, N	82.4	82.4
Pascal Cagni		N	62.4	62.4
Clare Chapman	Chairman of the Remuneration Committee	R, N	82.4	77.4
Anders Dahlvig		A, N	62.4	62.4
Mark Seligman ⁽⁴⁾	Senior Independent Director	A, R, N	82.4	79.9
Former non-executive directors				
Janis Kong ⁽⁵⁾		A, R, N	62.4	62.4
Total			888.0	880.5

(1) Indicates which Directors served on each Committee during the year (see key below)

(2) Daniel Bernard is paid his fees through a service company, Provestis, which also includes a contribution towards the cost of running the Chairman's office of £49,500.

(3) From 1 February 2015, the Chairman's fees and contribution to office costs were paid in sterling instead of euros as had been the case historically. The average exchange rate over 2014/15 was used for the conversion (1.2487).

(4) Mark Seligman became a member of the Remuneration Committee on 22 January 2016.

(5) Janis Kong stepped down from the Board and the Board's Committees on 1 February 2016.

Committee Membership Key:

Audit Committee = A; Remuneration Committee = R; Nomination Committee = N

Directors' Remuneration Report continued

Notes to the single total figure of remuneration for the non-executive directors

(audited information)

Fees

Fees paid to the Chairman and non-executive directors for 2015/16 and 2014/15 are shown below. No benefits are provided with the exception of a store discount card of up to 20%.

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

(1) An increase in fees was given by exception to the Senior Independent Director and the Remuneration Committee Chairman in reflection of changes in the market rates. This was disclosed in the 2014/15 Implementation Report. All other fees remained unchanged.

Non-executive directors' shareholdings

The table below sets out the current shareholdings of the non-executive directors (including beneficial interests) as at 31 January 2016. 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 2016 ⁽¹⁾	Number of shares held outright as at 31 January 2015
Daniel Bernard	124,646	124,646
Andrew Bonfield	10,000	10,000
Pascal Cagni	30,570	30,570
Clare Chapman	6,990	6,990
Anders Dahlvig	75,000	75,000
Rakhi Goss-Custard ⁽²⁾	0	0
Janis Kong	24,000	24,000
Mark Seligman	15,000	15,000

(1) There have been no changes to the beneficial interests of the non-executive directors between 1 February 2016 and 21 March 2016.

(2) Rakhi Goss-Custard was appointed to the Board post-year end, on 1 February 2016.

Statement of Implementation of the Remuneration Policy for 2016/17

Implementation of Remuneration Policy for executive directors in 2016/17

Base Salary

Implemented in line with policy.

Base Salary £'000	As at 1 April 2016	As at 1 February 2015	% increase
Véronique Laury	755.0	700.0	7.9%
Karen Witts	575.0	550.0	4.5%

The effective pay date for the annual pay review changed from 1 February 2016 to 1 April 2016. This is a move towards consistency across Kingfisher.

As previously communicated in last year's Report on Remuneration, the Committee intends to move the CEO's base salary toward the market median over the next three years, and this remains the case subject to continued performance in role. Note that any increases will not exceed 8% p.a. The increase for 2016/17 is 7.9%.

For the CFO, since her appointment in October 2012, it has been the Committee's intention to move her salary to the market median over time. In last year's Report on Remuneration we reported that this had been achieved. However, when reviewing the executive directors' pay positioning against the market as part of the strategic review, the Committee was conscious that, whilst the CFO's salary is broadly aligned with the FTSE 25-75, the salary and total fixed pay package is less competitive against the retail peer group, particularly in the light of the relatively low pension contribution. Given the scale of the strategic transformation and the criticality of the CFO to its success it is intended that, subject to continued performance in role, the CFO will receive salary increases over the policy period that may exceed that of the wider employee population to bring her fixed pay to an appropriate position between the FTSE 25-75 and retail peer group. However it is not expected that any increase to base salary will exceed 5% p.a.. The increase to her salary for 2016/17 is 4.5%.

Benefits

Implemented in line with policy.

Pension

Implemented in line with policy.

Annual Bonus

Implemented in line with policy.

The Annual Bonus will have a maximum opportunity of 80% of salary.

The Annual Bonus will be judged based on achievement of a number of strategic milestones within each of the following four pillars:

- Unified & Unique Offer.
- Digital.
- Operational Efficiency.
- People.

Group financial performance will also be taken into consideration.

In the opinion of the Remuneration Committee, the annual bonus measures and targets for 2016/17 are commercially sensitive and accordingly are not disclosed. These will be disclosed next year.

The targets are aligned to the operational milestones set out in the Strategic Report on page 22.

Alignment Shares

Implemented in line with policy.

The Remuneration Committee determined that personal performance for both the Chief Executive Officer and Chief Financial Officer had been strong over 2015/16 and so Alignment Share awards will be made at the level of 80% of salary in line with policy.

Alignment Shares will have two robust underpin conditions over the three year vesting period:

- maintenance of the dividend subject to dividend cover being above 1.75x; and
- maintenance of ratio of lease adjusted net debt to EBITDAR below 2.5x.

If one underpin condition is not met then up to 50% of the unvested shares would lapse. If both are not met then up to 100% of the unvested award would lapse.

The Committee will determine the appropriate deduction taking into account business performance and progress against the capital return plan.

Performance against the underpin will be considered annually and any reduction will apply to the award next due to vest.

In the event that the lease adjusted net debt to EBITDAR ratio is exceeded due to Board-approved acceleration of investment plans then the Remuneration Committee may apply discretion to allow vesting. In these circumstances the Committee would consider delaying vesting (in whole or part) by a further year to ensure sustainability of performance.

Transformation Incentive

Implemented in line with policy.

The Transformation Incentive target award level will be 220% of salary for the CEO and 200% of salary for the CFO.

The performance targets are calibrated such that a level of performance above the Capital Markets Day commitments is required in order to achieve the maximum 4x multiple payout.

Details of the targets for this award are set out below. Payouts occur on a straight-line basis between each of the required EPS and ROCE performance points.

Transformation Incentive Pay-out Multiple	EPS Growth (p.a.) (50% of award)	2020/21 ROCE (50% of award)
Zero	4%	12%
1x Target	6.5%	13%
2x Target	9%	14%
3x Target	12%	15%
4x Target	16%	17%

The Remuneration Committee will apply a quality of earnings test prior to awards vesting and may use this to adjust the formulaic outcome. This test would include considering the overall execution of 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.

The performance targets have been set to reflect the commitment at the Capital Markets Day to return circa £600m of capital to shareholders over the next three years, which is expected to be via share buyback.

- If the capital return of c. £600m is not delivered then the EPS performance targets will not be adjusted since the commitment made at the Capital Markets Day has not been met.
- If the capital return is delivered through a different method such as a special dividend, then the EPS performance targets will be adjusted. This removes any bias towards one form of capital return versus another.
- If the capital return of c. £600m is materially exceeded then the Remuneration Committee would expect to adjust the EPS performance targets to reflect the extent to which EPS has been enhanced by the excess capital return.

EPS will be reported on the basis of adjusted earnings per share. This is basic earnings per share for continuing operations adjusted to exclude the following:

- B&Q China operating results;
- exceptional items;
- financing fair value re-measurements;

Directors' Remuneration Report continued

- amortisation of acquisition intangibles; and
- related tax items and prior year tax items (including the impact of changes in tax rates on deferred tax).

ROCE will be reported on the basis of lease adjusted profit after tax divided by capital employed, where:

- Lease adjusted profit after tax
 - retail profit less central costs, excluding exceptional items and China operating loss;
 - add back: Property lease cost (excluding B&Q China); and
 - less tax at Effective Tax Rate (ETR).
- Capital Employed
 - total net assets of the business (2 point average at year start and end); and
 - add: capitalised property leases at 8 times annual property lease cost.

Excludes:

 - historic goodwill and historic acquisition intangibles (goodwill for new acquisitions during the Plan will be included);
 - net debt/cash;
 - exceptional restructuring provisions; and
 - assets/liabilities/investment and capitalised property leases of excluded businesses – e.g. China.

Implementation of Remuneration Policy for non-executive directors in 2016/17

Fees

Fees £'000	As at 1 February 2016	As at 1 February 2015	% increase
Chairman ⁽¹⁾	480.0	453.6	5.8%
Non-executive Director fee	62.4	62.4	0%
Senior Independent Director fee	20.0	20.0	0%
Chairman of the Audit Committee	20.0	20.0	0%
Chairman of the Remuneration Committee	20.0	20.0	0%

(1) The Chairman's fee includes a contribution to office costs of £49,500.

A review of non-executive director fees will be completed during 2016/17. Any changes to fee rates will be disclosed in the next Annual Report on Remuneration. This review will exclude the Chairman's fee.

Service contracts/letters of appointment

	Date of service contract/letter of appointment	Expiry of current term	Length of service at 31 January 2016
Daniel Bernard	24/05/2006	30/06/2018	9 years
Andrew Bonfield	11/02/2010	31/01/2019	5 years
Pascal Cagni	17/11/2010	16/11/2016	5 years
Clare Chapman	2/12/2010	01/12/2016	5 years
Anders Dahlvig	16/12/2009	31/01/2019	6 years
Rakhi Goss-Custard ⁽¹⁾	1/02/2016	31/01/2019	–
Véronique Laury	8/12/2014	Rolling	1 year
Mark Seligman	1/01/2012	01/12/2017	4 years
Karen Witts	1/10/2012	Rolling	3 years
Former Directors			
Janis Kong ⁽²⁾	8/12/2006	06/12/2015	9 years
Kevin O'Byrne ⁽³⁾	1/10/2008	–	6 years

(1) Rakhi Goss-Custard joined the Board after the year end, on 1 February 2016, and so did not serve as a Director during the 2015/16 financial year.

(2) Janis Kong stepped down as a non-executive director with effect from 1 February 2016.

(3) Kevin O'Byrne's length of service is as at his leaving date, 15 May 2015.

The Remuneration Committee

The Committee has delegated authority from the Board over the Company's remuneration framework and policy. The Committee's terms of reference are reviewed on an annual basis and were last updated in November 2015.

In accordance with its terms of reference, the Committee is required to:

- determine and make recommendations to the Board on the Group's framework and policy for executive remuneration and its costs;
- determine individual remuneration packages for the executive directors, and have oversight of the remuneration packages of senior executives below Board level;
- exercise the powers of the Board in relation to the Company's all-employee and long-term incentive share plans;
- set and oversee the selection and appointment process of remuneration advisers to the Committee; and
- report to shareholders on an annual basis on the work of the Committee.

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

Committee composition

The Committee comprised the following members during the financial year ended 31 January 2016.

	From	Attendance
Clare Chapman (Chairman)	16/02/2011	6/6
Daniel Bernard	03/06/2009	6/6
Andrew Bonfield ⁽¹⁾	17/06/2010	5/6
Janis Kong ⁽²⁾	08/12/2006	5/6
Mark Seligman	22/01/2016	1/1

(1) Andrew Bonfield was unable to attend the January 2016 meeting due to illness.

(2) Janis Kong ceased to be a member of the Committee upon her retirement from the Board on 1 February 2016. Janis did not attend the December 2015 meeting, called at short notice, due to a prior commitment.

Non-executive directors may attend Committee meetings at the invitation of the Committee Chairman. The following individuals attended meetings during the year at the request of the Committee: Chief Executive Officer, Chief Financial Officer, Chief People Officer and the Head of Group Reward. No individuals were present when their own remuneration or benefits were discussed.

Activities during the year

The significant matters considered by the Committee during 2015/16 included:

- agreeing the award level of the 2014/15 annual bonus;
- agreeing the performance targets for the annual bonus for the 2015/16 financial year and monitoring progress against those targets;
- considering and agreeing the exit arrangements for Kevin O'Byrne;
- considering the Company's approach to and the impact of changes to the National Minimum Wage, Low Pay and fairness;
- conducting a strategic review of remuneration in view of the new strategy; and
- undertaking a shareholder consultation process, which resulted in the Committee recommending the new Remuneration Policy for approval at the 2016 AGM.

Advisors to the Committee

During the financial year ended 31 January 2016, the following external advisors provided services to the Committee. Unless otherwise stated, the advisors have no other connection with the Group, and the Committee firmly believes that the advice received was, and continues to be, objective and independent.

PricewaterhouseCoopers LLP (PwC)

PwC were appointed by the Committee as its principal advisors on 1 February 2013 following a robust tender process. PwC is a member of the Remuneration Consultants Group (the professional body for executive remuneration consultants). PwC provided the Committee with executive remuneration advice, including advice relating to the operation of employee and executive share plans, and in particular advice during the strategic review of reward undertaken during 2015/16. The fees paid to PwC during 2015/16 were £243,840. These fees were incurred on a time and expenses basis. The Committee also conducted a review of its effectiveness during the year, a part of which considered the advice received from PwC. It was determined that PwC provides objective and independent advice to the Committee.

Freshfields Bruckhaus Deringer LLP (Freshfields)

Freshfields provided legal advice to the Committee on employment and remuneration issues. Freshfields also provides advice to the Group on other legal matters. Fees paid to Freshfields were £38,347.

Voting at the Annual General Meeting

At the Annual General Meeting on 9 June 2015, the Annual Report on Remuneration was put to an advisory vote. At the Annual General Meeting on 12 June 2014, the Directors' Remuneration Policy was put to a binding vote. The results of the votes were as follows:

Resolution	Votes for (and % of votes cast)		Votes against (and % of votes cast)		Proportion of share capital voting	Shares on which votes were withheld
Annual Report on Remuneration	1,679,245,535	98.23%	30,289,770	1.77%	73.51%	11,879,890
Directors' Remuneration Policy	1,702,954,306	98.93%	18,469,399	1.07%	72.68%	3,461,480

The Remuneration Policy contained within this report will be subject to a binding vote by shareholders at the AGM on 15 June 2016. The Annual Report on Remuneration will be subject to an advisory vote at the same meeting. I look forward to seeing you all at the AGM, where I will be available to answer any questions you may have about the work of the Committee.

For and on behalf of the Committee

Clare Chapman

Chairman of the Remuneration Committee

23 March 2016

Directors' Report

The following disclosures have been included elsewhere within the Annual Report and are incorporated into the Directors' Report by reference.

Disclosure	Page
Future Developments	22
Financial Instruments and Financial Risk Management	116
Corporate Governance Report, including Reports from each Board Committee	39
Going Concern	35
Viability Statement	35
Directors' Statement of Responsibility	79

The directors present their report for the financial year ended 31 January 2016. This report has been prepared in accordance with the Companies Act 2006, and in compliance with the UK Corporate Governance Code (the Code) and its disclosure requirements under the Financial Conduct Authority's Listing Rules and the Disclosure and Transparency Rules (DTRs).

Strategic Report

The Strategic Report of the Company, which sets out the Company's Key Performance Indicators, a statement on Corporate Responsibility, and a Financial Review, is detailed on pages 2 to 35, is incorporated by reference and is deemed to form part of this report.

Dividends and capital return

The directors recommend a final dividend of 6.92p (2014/15: 6.85p) per ordinary share amounting to £159m (2014/15: £160m) to be paid on 20 June 2016 to shareholders on the register as at the close of business on 6 May 2016. This, together with the interim dividend of 3.18p (2014/15: 3.15p) per ordinary share, amounting to £72m (2014/15: £75m), paid on 13 November 2015, results in a total ordinary dividend for the financial year ended 31 January 2016 of 10.1p (2014/15: 10.0p) per ordinary share, amounting to £231m (2014/15: £235m). The directors did not propose a special dividend during the year (2014/15: 4.2p per share; £100m).

The Kingfisher Employee Benefit Trust, Wealth Nominees Limited, (the Trust) waived the following dividends payable by the Company in respect of the ordinary shares held by it. For the 2014/15 final dividend, the Trust waived the dividend on 5,796,563 shares and waived the dividend on all shares (5,901,436 shares) for the 2015/16 interim dividend. The total dividends waived in the year to 31 January 2016 were in aggregate £584,730.22.

Directors

The members of the Board as at the date of this report and their biographical details are set out on pages 36 to 37. Kevin O'Byrne served as a director of the Company up to his date of resignation on 15 May 2015.

Since the year-end, Janis Kong retired from the Board with effect from 1 February 2016 and Rakhi Goss-Custard was appointed to the Board with effect from 1 February 2016. Shareholders will be asked to approve Rakhi's appointment as a director and to re-appoint all the other directors at the 2016 AGM.

Directors' indemnity arrangements

Each director and former director who served on the Board during the 2015/16 financial year, had the benefit of qualifying third-party deeds of indemnity. The Company has also purchased and maintained Directors' and Officers' liability insurance throughout 2015/16. Neither the indemnities nor the insurance provides cover in the event that the director concerned is proved to have acted fraudulently.

People

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

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

A breakdown of employee gender diversity can be found on page 21.

Kingfisher as a whole employs 74,000 people across our markets and invests in colleagues, drawing on their energy, skills and ideas to achieve the Company's goals. The aim is to create great workplaces and we strive to be an employer of choice in our sector. The Company's commitment to net positive supports employee loyalty, productivity and engagement and we create opportunities for our people to get involved.

Development

The Company's statement on employee development is set out in the People section of the Company's website, and details of employee involvement through participation in share incentive schemes are contained in the Directors' Remuneration Report on pages 51 to 75. We invest in training and development for employees at all levels from our apprenticeship and work experience schemes to our graduate programmes and management and leadership training. As part of the 'GO Alternance' programme, Castorama and Brico Dépôt France work in partnership with universities and business schools to recruit apprentices for undergraduate and master's degree placements. The programme offers a wide range of in-store placement opportunities. All apprentices in Castorama and Brico Dépôt France are mentored by an experienced colleague and also receive a toolkit to help them drive their development and career. In 2015, a total of 620 apprentices were recruited across Castorama and Brico Dépôt France.

Screwfix runs a number of programmes that develop people in their careers all the way from the shop floor into management and leadership roles. Their store management '1st Steps' and 'Fast Track' programmes are fully accredited with City & Guilds and the Institute of Leadership and Management Level 2, 3 & 4 qualifications, with approximately 800 colleagues on the programmes in 2015/16. There are also a number of communication channels in place to help employees to develop their knowledge of, and enhance their involvement with, the Company. These channels include engagement surveys, briefing groups, internal magazines and newsletters that report on business performance and objectives, community involvement and other matters relevant to employees. There are regular store visits by management to discuss matters of current interest and concern with employees.

Kingfisher has in place a European Forum known as the European Works Council, which represents European Works Council employees from each country within the European Economic Area. The Forum gives employee representatives the opportunity to discuss significant issues of 'transnational' importance affecting our Operating Companies. These are major decisions or events that significantly impact Kingfisher and its employees in more than one country covered by the Kingfisher European Forum Agreement. Typical examples include the financial and sales performance of the Group,

substantial changes concerning structure or organisation, mergers and transnational collective redundancies.

The Kingfisher European Forum does not affect or replace local communication or consultation methods but complements them. Kingfisher has very diverse communication and consultation methods across our different businesses. These have been developed to fit the particular requirements of each Operating Company. The Kingfisher European Forum does not alter or replace any existing processes.

Greenhouse Gas Emissions

We report our annual greenhouse gas (GHG) emissions in tonnes of CO₂ equivalent from activities for which the Company is responsible. Details of our emissions for the year ended 31 January 2016 are provided below. Our Sustainability Report contains further details and will be published in June 2016.

We have achieved a 0.5% reduction against the baseline year of 2010/11. Our target is for a 25% reduction in scope 1 and 2 emissions by 2020.

Greenhouse Gas Emissions (tonnes of CO₂e)

	Baseline			2015/16
	2010/11	2013/14	2014/15	
GHG emissions from combustion of fuel and operation of facilities (scope 1)	157,590.10	164,172.96	146,806.65	156,062
GHG emission from the purchase of electricity, heat and steam (scope 2)	247,774.97	230,759.93	258,392.29	246,775
Total scope 1 and 2 GHG emissions (2020 target = 25% reduction)	405,365.07	394,932.89	405,198.94	402,837
GHG emissions per m ² of floor space	61.00	56.27	53.26	51.9

Notes

Methodology: Our GHG emissions have been calculated using UK government (DEFRA) emissions factors. Our data covers our material impacts: emissions from property energy use, dedicated delivery fleets and business travel by road (i.e. scopes 1 and 2). Our GHG emissions from the purchase of electricity, heat and steam have been calculated using a location-based method. Our Sustainability Report contains further data including on scope 3 emissions and market-based emissions from the purchase of electricity, heat and steam.

Our target is set out against a baseline year of 2010/11.

- Our net positive data, including our Greenhouse Gas data, covers all our Operating Companies. To bring our sustainability reporting in line with our financial reporting, we are no longer including our Koçtaş joint venture in our GHG target. We will now report on Koçtaş' emissions under our scope 3 emissions (category investments).
- This year we have rebaselined our GHG target emissions data. Emissions from B&Q China and Koçtaş have been removed and in addition, we have included emissions from B&Q's distribution centres. Further detail will be provided in our Sustainability Report.

Political donations

The Company made no political donations during the year (2014/15 £nil). The Company has no intention of changing our current policy and practice of not making political donations, but will continue to seek shareholder approval to enable Kingfisher to make donations or incur expenditure in relation to EU political parties, other political organisations or independent election candidates, on a precautionary basis to avoid any unintentional breach of the relevant provisions.

Significant agreements – change of control

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

- the £225 million credit facility dated 25 March 2015 between the Company, HSBC Bank plc (as the facility agent) and the banks named therein as lenders, which contains a provision such that in the event of a change of control any lender shall not be obliged to fund a new drawing, and may, if they so require, notify the agent that they wish to cancel their commitment whereupon the commitment of that lender will be cancelled and all their outstanding loans, together with accrued interest, will become immediately due and payable; and
- the US\$297 million US Private Placement notes, issued pursuant to a note purchase agreement dated 24 May 2006 by the Company to various institutions, which contains a provision such that in the event of a change of control, the Company is required to make an offer to the holders of the US Private Placement notes to prepay the principal amount of the notes together with interest accrued.

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.

Share capital

All of the Company's issued ordinary shares are fully paid up and rank equally in all respects.

The rights and obligations attaching to the Company's ordinary shares, in addition to those conferred on their holders by law, are set out in the Company's articles of association, and available from the Company's website. The holders of ordinary shares are entitled to receive the Company's Annual Reports and Accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights. There are no restrictions on the transfer of ordinary shares or on the exercise of voting rights attached to them, except (i) where the Company has exercised its right to suspend their voting rights or to prohibit their transfer following the omission of their holder or any person interested in them to provide the Company with information requested by it in accordance with Part 22 of the Companies Act 2006 or (ii) where their holder is precluded from exercising voting rights by the Financial Conduct Authority's Listing Rules or the City Code on Takeovers and Mergers.

Details of the Company's issued share capital are set out in note 28 to the consolidated financial statements.

The Company has a Sponsored Level 1 American Depositary Receipt ('ADR') programme in the United States. Each ADR represents two Kingfisher ordinary shares.

Authority to allot shares

At the 2015 AGM, shareholders approved a resolution authorising the directors to allot shares up to an aggregate nominal value of £122,526,910. Shareholders also approved a resolution authorising

the directors to allot shares up to a nominal amount of £245,053,820 in connection with a rights issue. These resolutions were in line with guidance issued by the Investment Association. The directors have no present intention to issue ordinary shares, other than in relation to employee share incentive schemes. These resolutions remain in force until the conclusion of the 2016 AGM.

As at 22 March 2016 the directors had not used this authority. The Company will seek to renew these authorities at the 2016 AGM.

Authority to purchase own shares

At the 2015 AGM, shareholders approved a resolution permitting the Company to make purchases of its own shares to a maximum number of 233,915,010 ordinary shares, representing just under 10% of the issued share capital as at 17 April 2015. This resolution remains in force up to the conclusion of the 2016 AGM.

As at 22 March 2016, the directors had, pursuant to this authority, purchased 46,308,750 shares under buyback programmes. All shares purchased under this authority to date have been cancelled.

The Company will seek to renew this authority at the 2016 AGM, in order to continue its buyback programme in line with the commitment made at the Capital Markets Day in January 2016 on returns to shareholders.

Major Shareholdings

As at 22 March 2016, the Company had been notified of the following interests 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
The Capital Group Companies, Inc. ¹	174,320,942	7.49%
BlackRock, Inc.	168,337,223	7.38%

(1) The Capital Group Companies, Inc. holds its shares through its group companies and funds.

(2) Part of the shares held by BlackRock, Inc. are in the form of ADRs.

Annual General Meeting

The 2016 Annual General Meeting of the Company will be held on Wednesday, 15 June 2016 at the Farmers' and Fletchers' Hall, 3 Cloth St, London EC1A 7LD at 2.00pm.

A full description of the business to be conducted at the meeting is set out in the Notice of AGM, available from the Company's website (kingfisher.com).

Disclosure of information to auditors

Each person who is a director at the date of approval of this report confirms that:

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

By order of the Board

Clare Wardle

Company Secretary

23 March 2016

Directors' Statement of Responsibility

Responsibility for preparing financial statements

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

UK company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group Financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and Article 4 of the IAS Regulations 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 s.393 of the Companies Act 2006, the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

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

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

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

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

Responsibility statement

The directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face; and
- the Annual Report and financial statements, taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

By order of the Board

Clare Wardle
Company Secretary

23 March 2016

Opinion on financial statements of Kingfisher plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 January 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and Company statements of changes in equity, the consolidated and Company balance sheets, the consolidated cash flow statement and the related notes 1 to 38 for the Group and 1 to 19 for the Company financial statements. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 2 to the financial statements and the directors' statement on the longer-term viability of the Group contained within the strategic report on page 35.

We have nothing material to add or draw attention to in relation to:

- the directors' confirmation on page 31 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 31-35 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; or

- the directors' explanation on page 35 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether 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 period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and that we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

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

Our assessed risks are consistent year on year.

The Audit Committee has requested that, while not required under International Standards on Auditing (UK and Ireland), we include in our report any significant key observations in respect of these assessed risks of material misstatement.

Inventory provisioning

Risk description

As at 31 January 2016 the value of inventory held by the Group was £1,957 million as disclosed in note 18 to the financial statements.

Assessing the valuation of inventory is an area of significant judgement. In particular for a retailer such as Kingfisher where there are upward of 393,000 stock-keeping units (SKUs) held across over 1,100 global locations.

There is a risk in estimating the eventual selling price of items held, as well as assessing which items may be slow-moving or obsolete.

As detailed in the strategic report on page 2 Kingfisher plc have announced their plans to “cut the tail” of inventory held and rationalise the number of SKUs within the business. Further, as detailed in note 5 to the financial statements, following the announcement of 65 store closures at B&Q, an inventory write down has been recorded.

These events add a layer of complexity to assessing the level of inventory which will become obsolete and the expected net realisable value (NRV) of inventory which will be sold.

The Group’s principal accounting policy on inventory is on page 95 and the critical accounting estimates and judgements on inventory are on page 97.

How the scope of our audit responded to the risk

Our audit focused on whether the valuation of year-end inventory was in line with IAS 2. This included challenging judgements taken regarding obsolescence and net realisable value provisions.

We obtained assurance over the appropriateness of management’s assumptions applied in calculating the value of inventory provisions by:

- checking the effectiveness of controls associated with the existence and condition of inventory by attending a sample of inventory counts throughout the year across all in scope components to assess store level control processes, including those at 15 distribution centres and 64 retail stores;
- checking the value of a sample of inventory to confirm it is held at the lower of cost and selling price, through comparison to vendor invoices and sales prices; and
- recomputing provisions recorded to verify that they are in line with Group policy and IAS 2. This was done in conjunction with IT specialists for some components where a manual recomputation was not possible.

Key observations

The results of our audit work were satisfactory and we concur with the inventory balance and the level of provision held.

Recognition of supplier rebates

Risk description

The Group receives significant amounts of supplier incentives, discounts, and rebates, and recognises these as a deduction in cost of sales.

These agreements largely comprise of volume-based rebates based on percentage levels agreed for the calendar year, but also include arrangements with a greater degree of judgement such as advertising and marketing support. Given the materiality of the volume based rebates these have been the focus of our work.

Assessing the timing of recognition of the reduction in cost of sales earned from suppliers, including adherence to contractual terms, is an area of complexity requiring both a detailed understanding of the contractual arrangements themselves as well as complete and accurate source data to apply the arrangements to.

The majority of rebates agreements are subject to netting agreements with the supplier. However, as detailed in note 19 on page 112 there are £313 million of rebate debtors recorded at year-end.

The Group’s principal accounting policy on rebates is on page 93 and the critical accounting estimates and judgements on rebates are on page 98.

How the scope of our audit responded to the risk

We tested that amounts recognised were accurate and recorded in the correct period based on the contractual performance obligations by obtaining and reviewing a sample of contracts with suppliers to assess the conditions required for rebate income to be recognised and verified whether or not these had been met.

We circularised a sample of suppliers to give assurance that the arrangements recorded were accurate and complete and, where outstanding balances were significant at the year end, to confirm the amounts owed. Where responses were not received, we completed alternative procedures such as obtaining rebate contracts, understanding the contractual terms and recomputing the rebate earned.

For volume-based agreements, we recalculated the rebates due based on shipments in the year and contractual terms. For other rebates, we also focussed on the timing of recognition of the rebate income based on the contractual performance obligations.

We recomputed the level of volume rebate earned but not recognised, in particular challenging the key assumption of stock turn in the volume rebate in stock adjustment.

Our audit assessed the recoverability of rebate debtors by assessing the Group’s right to receive the rebate. Where there were netting agreements we agreed that there was a sufficient creditor against which to deduct the rebate due and reviewed post year end debit notes; where there was not a netting agreement we reviewed post year end cash receipts to give assurance that the rebate was recoverable.

Key observations

The results of our testing were satisfactory and we consider the disclosure given around supplier rebates to provide a reasonable understanding of the types of rebate income received and the impact on the Group’s balance sheet as at 31 January 2016.

Store impairment and lease based provisioning

Risk description

The Group operates over 1,100 stores across 10 countries giving rise to a diverse leasehold and freehold property portfolio.

As at 31 January 2016 the value of property, plant and equipment held by the Group was £3,212 million as disclosed in note 14 to the financial statements.

There are several technically complex or judgemental aspects of store impairment and store based provisioning across the Group, these are set out below.

Store impairment

As detailed in note 14 to the financial statements, store impairments of £36 million have been recorded in the year. A judgement arises in forming an assessment of carrying values of freehold stores and store assets for potential impairment.

The key assumptions applied by management in their store impairment reviews are:

- country-specific discount rates;
- store costs, including rent, staff payroll and general operating costs; and
- forecast contribution growth.

As detailed in note 2 to the financial statements the Group uses vacant possession to approximate fair value less costs to sell when considering impairment.

Store based provisioning

As detailed in note 26 to the financial statements, a provision has been recorded in relation to onerous lease obligations following the announcement of the closure of 65 stores within B&Q. The key assumptions applied by management in estimating this provision relate to the length of void periods and likelihood and level of sub-tenancy income.

The Group's principal accounting policy on property, plant and equipment is on page 94 and the critical accounting estimates and judgements on impairment are on page 97.

How the scope of our audit responded to the risk

Store impairment

For freehold properties and store assets with indicators of impairment, we challenged the impairment models and calculations by:

- checking the mechanical accuracy of the impairment models;
- assessing the discount rates applied to the impairment reviews for each country and comparing the rates to our benchmarks of market data which were assessed in conjunction with valuation specialists;
- comparing forecast growth rates to economic data;
- considering the historical budgeting accuracy at a store level;
- challenging key inputs into the value in use computation, namely forecast sales growth and margin by reviewing both past performance and the rationale for future assumptions. We challenged the level of past store performance to critically assess whether assumptions applied were appropriate at the store level;
- agreeing the vacant possession value of freehold property to third party valuation reports; and
- verifying that freehold properties are held in line with IAS 36.

Store based provisioning

We performed procedures to identify leases which could be considered onerous – for example, we reviewed the properties currently under lease, and identified those which may be vacant or underutilised, or where properties are sublet whether the estimated rental income leads to an onerous contract.

Key observations

We note that cash flow forecasting, impairment modelling and property values are all inherently judgemental. We concluded that the assumptions applied in the impairment models were within an acceptable range, and that the overall level of impairment recognised was reasonable.

Impairment of goodwill

Risk description

As at 31 January 2016 the value of goodwill held by the Group was £2,397 million as disclosed in note 12 to the financial statements.

The goodwill within the Group arose via business combinations. As detailed in note 12 there has been a £15 million impairment charge recorded in the year in relation to Brico Dépôt Romania.

Determining the appropriate carrying value of goodwill requires management to make significant estimates including the operating cash flow projections, discount rates and long term growth rates applied.

The goodwill attributable to cash generating units (CGUs) is reviewed for impairment using a value in use model, as described in note 12 to the financial statements.

As detailed on page 15 to the annual report the Group's five year plan expects to generate savings of £500 million. A risk arises that cash flow projections used to support the valuation of goodwill are not in compliance with IAS 36 which requires that future cash flows do not include inflows or outflows that are expected to arise from a future restructuring to which an entity is not yet committed or improving or enhancing the asset's performance.

The Group's principal accounting policy on goodwill and intangible assets is on page 94 and the critical accounting estimates and judgements on impairment are on page 97.

How the scope of our audit responded to the risk

In order to address this key audit risk we audited the assumptions used in the impairment model for goodwill and intangible assets. Our work included:

- Considering the projected future cash flows, understanding variances between the forecast and actual results for the year ended 31 January 2016 and comparing the forecast performance to the Group's five year plan and supporting workings.
- Comparing the long-term growth rates for each cash generating unit to economic forecasts.
- Working with our internal valuation specialists, who assisted in computing an independent assessment of the discount rates used and assessing management's methodology used in calculating the discount rates applied by benchmarking against those companies in the same or similar sectors.
- Assessing the appropriateness of the sensitivities applied by management to the impairment testing model including considering future capital spend and whether the scenarios represented reasonably possible changes in key assumptions. We performed further sensitivities based on recent trading activity and our understanding of the future prospects to identify whether these scenarios could give rise to further impairment.
- Considering CGU allocation in light of the Group's new strategy and concluded that there have not been any triggers which would require a reallocation of the CGUs.
- Checking the arithmetic accuracy of the impairment model.
- Considering the adequacy of the Group's disclosure in respect of its goodwill impairment testing and whether the disclosures about the sensitivity of the outcome of the impairment assessment to reasonably possible changes in key assumptions properly reflected the risks inherent in such assumptions.

Key observations

The results of our testing were satisfactory and we concur that the assumptions used in the impairment model, including the discount rate and level of goodwill impairment booked in the year, are appropriate.

Taxation

Risk description

Due to the estimation uncertainty in respect of settlements with tax authorities around the world, assessing the Group's exposure to significant tax risks and the level of provisions recognised is a judgemental area.

The Group's principal accounting policy on taxation is on page 95 and the critical accounting estimates and judgements on taxation are on page 98.

How the scope of our audit responded to the risk

We engaged tax specialists who have considered significant taxation exposures across the Group, including challenging the estimates and judgements made by management when calculating the income tax payable in each territory and the associated provisions held.

In assessing the provisions we have considered the tax environment in the significant territories in which the Group operates, the outcome of past settlements and the status of tax audits.

The tax specialists reviewed correspondence with taxation authorities in significant locations, as well as reviewing the opinions or other support received from external counsel and other advisers where management has relied on them to make assumptions on the level of taxation payable.

Key observations

We identified no material exceptions to the provisions recorded.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 47.

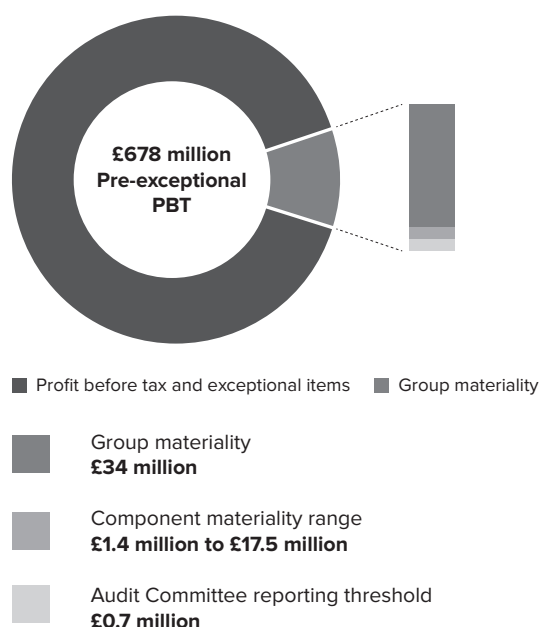
These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

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

We determined materiality for the Group to be £34 million (2014/15: £34 million), which is 5% (2014/15: 5%) of profit before taxation, before exceptional items, and below 1% (2014/15: below 1%) of equity. The rationale for using profit before taxation, before exceptional items, as our basis for materiality is that it provides a consistent year on year approach excluding one off gains and losses, and is considered to be the most relevant performance measure to the Group's stakeholders.

We agreed with the Audit Committee that we would report to the committee all audit differences in excess of £0.7 million (2014/15: £0.7 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.



An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

Based on that assessment, we focused our Group audit scope primarily on all significant trading entities and the Group head office, and including B&Q UK, Castorama France, Brico Dépôt France, Castorama Poland, Castorama Russia, Screwfix UK, Brico Dépôt Spain, Brico Dépôt Romania and the Koçtaş joint venture. These locations represent the principal business units and account for 99% (2014/15: 99%) of the Group's revenue, 98% (2014/15: 98%) of the Group's profit before tax after taking into account the allocation of central sourcing costs, and 98% (2014/15: 98%) of the Group's net assets. The entities which are out of our scope are primarily individually insignificant cost entities and other smaller operations.

Following the Group's sale of its controlling (70%) stake in its B&Q China business on 30 April 2015, there has been a change in our scope. B&Q China is no longer required to be in full audit scope given it does not consolidate into the Group accounts. As disclosed in note 17 on page 111 to the financial statements the remaining 30% has been treated as an investment.

The locations in scope were selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at these locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £1.4 million to £17.5 million (PY: £1.5 to £17.5 million).

At the Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

How we work closely with component auditors

The Group audit team continued to follow a programme of planned visits that has been designed so that the Senior Statutory Auditor visits locations considered the most significant each year. For the remaining locations where Group audit work is performed, but no visit is carried out, the Senior Statutory Auditor has discussed and challenged the key areas of judgement with the lead audit partner of the component in the current year and a senior member of the Group engagement team has visited the location.

In the current year the Group team have made 16 visits to component sites and a partner from the Group team has visited each component at least once.

We also held planning briefings, attended by the component auditors from each of the locations discussed above, at which we discussed developments in the Group relevant to our audit, including risk assessment and audit procedures to respond to the risks identified.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- 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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Directors' remuneration

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

Corporate Governance Statement

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

Our duty to read other information in the Annual Report

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

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

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Statement of Responsibility, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Richard Muschamp FCA

Senior Statutory Auditor

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London

23 March 2016

Consolidated income statement

Year ended 31 January 2016

£ millions	Notes	2015/16			2014/15 (restated – note 2a)		
		Before exceptional items	Exceptional items (note 5)	Total	Before exceptional items	Exceptional items (note 5)	Total
Sales	4	10,441	–	10,441	10,966	–	10,966
Cost of sales		(6,545)	–	(6,545)	(6,918)	–	(6,918)
Gross profit		3,896	–	3,896	4,048	–	4,048
Selling and distribution expenses		(2,666)	(308)	(2,974)	(2,835)	(32)	(2,867)
Administrative expenses		(567)	(15)	(582)	(571)	–	(571)
Other income		26	157	183	40	(3)	37
Share of post-tax results of joint ventures and associates	16	3	–	3	5	–	5
Operating profit		692	(166)	526	687	(35)	652
Analysed as:							
Retail profit	4	746	(166)	580	742	(35)	707
Central costs		(45)	–	(45)	(40)	–	(40)
Share of interest and tax of joint ventures and associates		(5)	–	(5)	(6)	–	(6)
B&Q China operating loss		(4)	–	(4)	(9)	–	(9)
Finance costs		(22)	–	(22)	(13)	–	(13)
Finance income		8	–	8	5	–	5
Net finance costs	6	(14)	–	(14)	(8)	–	(8)
Profit before taxation	7	678	(166)	512	679	(35)	644
Income tax expense	9	(167)	67	(100)	(177)	106	(71)
Profit for the year		511	(99)	412	502	71	573
Attributable to:							
Equity shareholders of the Company				412			573
Non-controlling interests				–			–
				412			573
Earnings per share							
	10						
Basic				17.8p			24.3p
Diluted				17.8p			24.2p
Adjusted basic				22.0p			21.3p
Adjusted diluted				22.0p			21.2p

The proposed final dividend for the year ended 31 January 2016, subject to approval by shareholders at the Annual General Meeting, is 6.92p per share.

Consolidated statement of comprehensive income

Year ended 31 January 2016

£ millions	Notes	2015/16	2014/15
Profit for the year		412	573
Actuarial gains on post-employment benefits	27	19	175
Tax on items that will not be reclassified		(8)	(85)
Total items that will not be reclassified subsequently to profit or loss		11	90
Currency translation differences			
Group		1	(308)
Joint ventures and associates		(3)	(2)
Transferred to income statement	33	(7)	–
Cash flow hedges			
Fair value gains		24	70
Gains transferred to inventories		(50)	(5)
Available-for-sale financial assets			
Fair value gains		2	–
Tax on items that may be reclassified		8	(14)
Total items that may be reclassified subsequently to profit or loss		(25)	(259)
Other comprehensive income for the year		(14)	(169)
Total comprehensive income for the year		398	404
Attributable to:			
Equity shareholders of the Company		398	403
Non-controlling interests		–	1
		398	404

Consolidated statement of changes in equity

Year ended 31 January 2016

£ millions	Attributable to equity shareholders of the Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Own shares held	Retained earnings	Other reserves (note 29)			
At 1 February 2015 (restated – note 2a)	369	2,214	(26)	3,652	11	6,220	10	6,230
Profit for the year	–	–	–	412	–	412	–	412
Other comprehensive income for the year	–	–	–	11	(25)	(14)	–	(14)
Total comprehensive income for the year	–	–	–	423	(25)	398	–	398
Disposal of B&Q China (note 33)	–	–	–	–	–	–	(10)	(10)
Share-based compensation	–	–	–	11	–	11	–	11
New shares issued under share schemes	–	4	–	–	–	4	–	4
Own shares issued under share schemes	–	–	18	(17)	–	1	–	1
Purchase of own shares for cancellation (note 28)	(8)	–	–	(200)	8	(200)	–	(200)
Purchase of own shares for ESOP trust	–	–	(16)	–	–	(16)	–	(16)
Dividends (note 11)	–	–	–	(232)	–	(232)	–	(232)
At 31 January 2016	361	2,218	(24)	3,637	(6)	6,186	–	6,186
At 2 February 2014 (restated – note 2a)	373	2,209	(35)	3,486	266	6,299	9	6,308
Profit for the year	–	–	–	573	–	573	–	573
Other comprehensive income for the year	–	–	–	90	(260)	(170)	1	(169)
Total comprehensive income for the year	–	–	–	663	(260)	403	1	404
Share-based compensation	–	–	–	11	–	11	–	11
New shares issued under share schemes	1	5	–	–	–	6	–	6
Own shares issued under share schemes	–	–	26	(24)	–	2	–	2
Purchase of own shares for cancellation (note 28)	(5)	–	–	(150)	5	(150)	–	(150)
Purchase of own shares for ESOP trust	–	–	(17)	–	–	(17)	–	(17)
Dividends (note 11)	–	–	–	(334)	–	(334)	–	(334)
At 31 January 2015 (restated – note 2a)	369	2,214	(26)	3,652	11	6,220	10	6,230

Consolidated balance sheet

At 31 January 2016

£ millions	Notes	2015/16	2014/15 (restated – note 2a)
Non-current assets			
Goodwill	12	2,397	2,414
Other intangible assets	13	276	258
Property, plant and equipment	14	3,212	3,203
Investment property	15	25	30
Investments in joint ventures and associates	16	23	28
B&Q China investment	17	62	–
Post-employment benefits	27	246	194
Deferred tax assets	25	11	10
Derivative assets	23	43	52
Other receivables	19	7	7
		6,302	6,196
Current assets			
Inventories	18	1,957	2,021
Trade and other receivables	19	568	537
Derivative assets	23	56	70
Current tax assets		5	6
Short-term deposits	20	70	48
Cash and cash equivalents	20	730	561
Assets held for sale	34	6	274
		3,392	3,517
Total assets		9,694	9,713
Current liabilities			
Trade and other payables	21	(2,369)	(2,337)
Borrowings	22	(138)	(105)
Derivative liabilities	23	(6)	(10)
Current tax liabilities		(66)	(87)
Provisions	26	(69)	(13)
Liabilities held for sale	34	–	(195)
		(2,648)	(2,747)
Non-current liabilities			
Other payables	21	(53)	(64)
Borrowings	22	(179)	(232)
Deferred tax liabilities	25	(333)	(324)
Provisions	26	(208)	(34)
Post-employment benefits	27	(87)	(82)
		(860)	(736)
Total liabilities		(3,508)	(3,483)
Net assets	4	6,186	6,230
Equity			
Share capital	28	361	369
Share premium		2,218	2,214
Own shares held in ESOP trust		(24)	(26)
Retained earnings		3,637	3,652
Other reserves	29	(6)	11
Total attributable to equity shareholders of the Company		6,186	6,220
Non-controlling interests		–	10
Total equity		6,186	6,230

The financial statements were approved by the Board of Directors on 23 March 2016 and signed on its behalf by:

Véronique Laury
Chief Executive Officer

Karen Witts
Chief Financial Officer

Consolidated cash flow statement

Year ended 31 January 2016

£ millions	Notes	2015/16	2014/15
Operating activities			
Cash generated by operations	31	931	806
Income tax paid		(118)	(146)
Net cash flows from operating activities		813	660
Investing activities			
Purchase of property, plant and equipment and intangible assets	4	(333)	(275)
Disposal of property, plant and equipment, investment property and property held for sale		25	50
Disposal of property company	33	18	–
Disposal of B&Q China:	33		
Proceeds (net of costs and cash disposed)		102	–
Deposit (repaid)/received		(12)	12
Disposal of Hornbach	33	–	198
Increase in short-term deposits		(22)	(48)
Interest received		3	5
Dividends received from joint ventures and associates		5	7
Net cash flows from investing activities		(214)	(51)
Financing activities			
Interest paid		(12)	(10)
Interest element of finance lease rental payments		(3)	(3)
Repayment of bank loans		(1)	(2)
Repayment of fixed term debt		–	(73)
Payment on financing derivatives		–	(9)
Capital element of finance lease rental payments		(13)	(14)
New shares issued under share schemes		4	6
Own shares issued under share schemes		1	2
Purchase of own shares for ESOP trust		(16)	(17)
Purchase of own shares for cancellation		(200)	(100)
Special dividend paid to equity shareholders of the Company		–	(100)
Ordinary dividends paid to equity shareholders of the Company		(232)	(234)
Net cash flows from financing activities		(472)	(554)
Net increase in cash and cash equivalents and bank overdrafts, including amounts classified as held for sale		127	55
Cash and cash equivalents and bank overdrafts, including amounts classified as held for sale, at beginning of year		527	534
Exchange differences		–	(62)
Cash and cash equivalents and bank overdrafts, including amounts classified as held for sale, at end of year		654	527
Cash and cash equivalents classified as held for sale (B&Q China)		–	(57)
Cash and cash equivalents and bank overdrafts at end of year	32	654	470

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 is set out in the Strategic Report on pages 1 to 24.

The Company is incorporated in the United Kingdom and is listed on the London Stock Exchange. The address of its registered office is 3 Sheldon Square, Paddington, London W2 6PX. A full list of related undertakings of the Company is given in note 19 of the Company's separate financial statements.

These consolidated financial statements have been approved for issue by the Board of Directors on 23 March 2016.

2 Principal accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated. A prior year restatement, following the adoption of IFRIC 21, 'Levies' and the disposal of the Group's controlling interest in B&Q China, is described in section (a) of this note.

a. Basis of preparation

The consolidated financial statements of the Company, its subsidiaries, joint ventures and associates are made up to 31 January (previously to the nearest Saturday to 31 January), except as disclosed in note 16 and in note 5 of the Company's separate financial statements. The current financial year is the calendar year ended 31 January 2016 ('the year' or '2015/16'). The comparative financial year is the 52 weeks ended 31 January 2015 ('the prior year' or '2014/15'). The consolidated income statement and related notes represent results for continuing operations, there being no discontinued operations in the years presented.

The following statutory (GAAP) measures have been restated following the adoption of IFRIC 21, 'Levies' (see further details below) in the current year:

£ millions	2014/15		
	Before restatement	IFRIC 21 impact	After restatement
Trade and other payables	(2,323)	(14)	(2,337)
Deferred tax liabilities	(329)	5	(324)
Retained earnings at beginning of year	3,495	(9)	3,486
Retained earnings at end of year	3,661	(9)	3,652

The following adjusted (non-GAAP) measures have been restated in the comparatives to exclude B&Q China's operating results, in order to improve comparability following the disposal of the Group's controlling interest in the current year (see note 33):

£ millions	2014/15		
	Before restatement	B&Q China exclusion	After restatement
Adjusted sales	10,966	(361)	10,605
Retail profit	733	9	742
Adjusted pre-tax profit	675	9	684
Adjusted earnings	493	9	502
Adjusted basic earnings per share	20.9p	0.4p	21.3p
Adjusted diluted earnings per share	20.8p	0.4p	21.2p

The IFRIC 21 and B&Q China restatements have only impacted the France and Other International segments respectively. Refer to the data tables for the full year 2014/15 results at www.kingfisher.com for the impact of the restatements on quarterly segmental sales and retail profit comparatives.

The directors of Kingfisher plc, having made appropriate enquiries, consider that adequate resources exist for the Group to continue in operational existence and that, therefore, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 January 2016. Refer to the Strategic Report on page 35.

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

The following new interpretation, which is mandatory for the first time for the financial year ended 31 January 2016, is relevant for the Group:

- IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation changes the timing of when such liabilities are recognised, particularly in connection with levies that are triggered by circumstances on a specific date. This applies from the start of the current financial year, with restatement of 2014/15 comparatives. It has not impacted the annual results, but has had a significant impact on the phasing of operating profit (and related deferred tax) in France, with fewer costs recognised in the first half (and third quarter) but more costs recognised in the final quarter of the year. It has also resulted in a restatement of balance sheet payables and deferred tax.

Other standards, amendments and interpretations which are mandatory for the first time for the financial year ended 31 January 2016 are either not currently relevant or not material for the Group.

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

- IFRS 9, 'Financial instruments' (effective from the Group's 2018/19 financial year);
- IFRS 15, 'Revenue from contracts with customers' (effective from the Group's 2018/19 financial year); and
- IFRS 16, 'Leases' (effective from the Group's 2019/20 financial year).

The directors do not expect that the adoption of IFRS 9 and IFRS 15 will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments. IFRS 16 specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities on the balance sheet for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The adoption of IFRS 16 will have a very significant impact on the Group's balance sheet and reported results, however will not reflect any changes in the underlying economics of the business. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

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

2 Principal accounting policies continued

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

Use of non-GAAP measures

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

Retail profit is defined as continuing operating profit before central costs (principally the costs of the Group's head office), exceptional items, amortisation of acquisition intangibles and the Group's share of interest and tax of joint ventures and associates. 2014/15 comparatives have been restated to exclude B&Q China's operating results.

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

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

The term 'adjusted' refers to the relevant measure being reported for continuing operations excluding exceptional items, financing fair value remeasurements, amortisation of acquisition intangibles, related tax items and prior year tax items (including the impact of changes in tax rates on deferred tax). 2014/15 comparatives have been restated to exclude B&Q China's operating results. Financing fair value remeasurements represent changes in the fair value of financing derivatives, excluding interest accruals, offset by fair value adjustments to the carrying amount of borrowings and other hedged items under fair value hedge relationships. Financing derivatives are those that relate to underlying items of a financing nature.

The effective tax rate is calculated as continuing income tax expense excluding tax on exceptional items and adjustments in respect of prior years and the impact of changes in tax rates on deferred tax, divided by continuing profit before taxation excluding exceptional items.

Net debt/cash comprises borrowings and financing derivatives (excluding accrued interest), less cash and cash equivalents and short-term deposits. It excludes balances classified as assets and liabilities held for sale.

b. Basis of consolidation

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

(i) Subsidiaries

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

Subsidiaries acquired are recorded under the acquisition method of accounting and their results included from the date of acquisition. The results of subsidiaries which have been disposed are included up to the effective date of disposal.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

(ii) Joint ventures and associates

Joint ventures are entities over which the Group has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The equity method is used to account for the Group's investments in joint ventures.

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

Under the equity method investments are initially recognised at cost. The Group's share of post-acquisition profits or losses is recognised in the income statement within operating profit, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses equals or exceeds its interest, including any 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.

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 and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, such exchange differences recorded since 1 February 2004 are recognised in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rates of exchange at the balance sheet date. Goodwill arising prior to 1 February 2004 is denominated in Sterling.

Principal rates of exchange against Sterling:

	2015/16		2014/15	
	Average rate	Year end rate	Average rate	Year end rate
Euro	1.38	1.31	1.25	1.33
US Dollar	1.52	1.42	1.64	1.50
Polish Zloty	5.78	5.78	5.23	5.57
Russian Rouble	94.54	107.52	66.70	105.58

d. Revenue recognition

Sales represent the supply of home improvement products and services. Sales exclude transactions made between companies within the Group, Value Added Tax, other sales-related taxes and are net of returns, trade and staff discounts.

Sales of in-store products are generally recognised at the point of cash receipt. Where award credits such as vouchers or loyalty points are provided as part of the sales transaction, the amount allocated to the credits is deferred and recognised when the credits are redeemed and the Group fulfils its obligations to supply the awards.

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

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

e. Rebates

Rebates received from suppliers mainly comprise volume related rebates on the purchase of inventories. Contractual volume related rebates are accrued as units are purchased based on the percentage rebate applicable to forecast total purchases over the rebate period, where it is probable the rebates will be received and the amounts can be estimated reliably. Discretionary rebates are not anticipated and only recognised once earned. Rebates relating to inventories purchased but still held at the balance sheet date are deducted from the carrying value so that the cost of inventories is recorded net of applicable rebates. Such rebates are credited to the Cost of sales line in the income statement when the goods are sold.

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

f. Dividends

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

2 Principal accounting policies continued

g. Intangible assets

(i) Goodwill

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

Goodwill is carried at cost less accumulated impairment losses. Goodwill is not amortised and is tested annually for impairment at country level, 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 discount rate applied is based upon the Group's weighted average cost of capital with appropriate adjustments for the risks associated with the relevant cash generating unit or groups of cash generating units. When the recoverable amount of the goodwill is less than its carrying amount, an impairment loss is recognised immediately in the income statement which cannot subsequently be reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Computer software

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

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

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

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

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

h. Property, plant and equipment

(i) Cost

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

Properties that were held at 1 February 2004 are carried at deemed cost, being the fair value of land and buildings as at the transition date to IFRS. All property acquired after 1 February 2004 is carried at cost.

(ii) Depreciation

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

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

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

(iii) Impairment

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 and, should such indicators exist, the assets' recoverable amounts are subsequently estimated. 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. For poorly performing stores, a vacant possession valuation basis is used to approximate the fair value less costs to sell. The discount rate applied is based upon the Group's weighted average cost of capital with appropriate adjustments for the risks associated with the relevant cash generating unit. Any impairment in value is charged to the income statement in the period in which it occurs.

(iv) Disposal

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

(v) Subsequent costs

Subsequent costs are included in the related asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement in the period in which they are incurred.

i. Leased assets

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

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

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

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

j. Investment property

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

k. Capitalisation of borrowing costs

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

l. Inventories

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

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

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

m. Employee benefits

(i) Post-employment benefits

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

The asset or liability recognised in the balance sheet in respect of defined benefit pension schemes is the fair value of scheme assets less the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds which are denominated in the currency

in which the benefits will be paid and which have terms to maturity approximating to the terms of the related pension liability.

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

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

(ii) Share-based compensation

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

n. Taxation

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

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 provisions 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 provisions in the period in which such determination is made. These adjustments in respect of prior years are recorded in the income statement, or directly in equity, as appropriate.

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.

2 Principal accounting policies continued

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

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

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

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

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.

o. Provisions

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

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

p. Financial instruments

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

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

(i) Cash and cash equivalents

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

(ii) Borrowings

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

(iii) Other investments (including short-term deposits)

Other investments may include 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. Investments classified as 'available-for-sale financial assets' under IAS 39, 'Financial instruments: Recognition and measurement', are initially measured at fair value, with subsequent changes in fair value recorded directly in equity. Any dividends received are recognised in the income statement. On disposal, the accumulated fair value adjustments recognised in equity are transferred to the income statement.

(iv) Trade receivables

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

(v) Trade payables

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

(vi) Derivatives and hedge accounting

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

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

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

Fair value hedges

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

Cash flow hedges

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

Net investment hedges

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

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

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

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

q. Assets and liabilities held for sale

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

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

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

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

3 Critical accounting estimates and judgements

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

Impairment of goodwill and other assets

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

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

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

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

Inventories

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

3 Critical accounting estimates and judgements continued

Rebates

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

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

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

Judgement is also required over the recoverability of receivables relating to rebates.

Income taxes

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

Restructuring provisions

The Group carries a number of provisions in relation to historical and ongoing restructuring programmes. The most significant part of the provisions is the cost to exit stores and property contracts. The ultimate costs and timing of cash flows are dependent on exiting the property lease contracts on the closed stores and subletting surplus space. Significant assumptions are used in making these calculations, in particular the nature, timing and value of mitigating the lease costs, including void periods and level of sublease income, and changes in these assumptions and future events could cause the value of these provisions to change. Refer to note 26 for further information.

Post-employment benefits

The present value of the defined benefit liabilities recognised on the balance sheet is dependent on a number of assumptions including interest rates of high quality corporate bonds, inflation and mortality rates. The net interest expense or income is dependent on the interest rates of high quality corporate bonds and the net deficit or surplus position. The assumptions are based on the conditions at the time and changes in these assumptions can lead to significant movements in the estimated obligations. To help the reader understand the impact of changes in the key assumptions, a sensitivity analysis is provided in note 27.

4 Segmental analysis

Income statement

£ millions	2015/16				
	France	UK & Ireland	Other International		Total
			Poland	Other	
Adjusted sales	3,786	4,853	987	705	10,331
B&Q China sales					110
Sales					10,441
Retail profit	311	326	113	(4)	746
Central costs					(45)
Share of interest and tax of joint ventures and associates					(5)
B&Q China operating loss					(4)
Exceptional items					(166)
Operating profit					526
Net finance costs					(14)
Profit before taxation					512

£ millions	2014/15 (restated – note 2a)				
	France	UK & Ireland	Other International		Total
			Poland	Other	
Adjusted sales	4,132	4,600	1,055	818	10,605
B&Q China sales					361
Sales					10,966
Retail profit	349	276	118	(1)	742
Central costs					(40)
Share of interest and tax of joint ventures and associates					(6)
B&Q China operating loss					(9)
Exceptional items					(35)
Operating profit					652
Net finance costs					(8)
Profit before taxation					644

Balance sheet

£ millions	2015/16				
	France	UK & Ireland	Other International		Total
			Poland	Other	
Segment assets	1,313	1,264	476	347	3,400
B&Q China investment					62
Central liabilities					(219)
Goodwill					2,397
Net cash					546
Net assets					6,186

£ millions	2014/15 (restated – note 2a)				
	France	UK & Ireland	Other International		Total
			Poland	Other	
Segment assets	1,231	1,543	501	323	3,598
B&Q China assets (including cash) and liabilities held for sale					72
Central liabilities					(183)
Goodwill					2,414
Net cash					329
Net assets					6,230

4 Segmental analysis continued

Other segmental information

	2015/16						
			Other International				
	France	UK & Ireland	Poland	Other	B&Q China	Central	Total
Capital expenditure	121	156	31	24	1	–	333
Depreciation and amortisation	76	131	16	16	–	1	240
Impairment losses	8	24	–	23	–	–	55
Non-current assets ^(f)	1,899	3,229	515	284	–	6	5,933

	2014/15 (restated – note 2a)						
			Other International				
	France	UK & Ireland	Poland	Other	B&Q China	Central	Total
Capital expenditure	93	115	14	48	3	2	275
Depreciation and amortisation	79	135	18	18	11	1	262
Impairment losses	3	17	1	9	–	–	30
Non-current assets ^(f)	1,844	3,256	514	305	–	14	5,933

(1) Non-current assets comprise goodwill, other intangible assets, property, plant and equipment, 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 business segment being the supply of home improvement products and services.

The 'Other International' segment consists of Poland, Spain, Portugal, Germany, Russia, Romania and the joint venture Koçtaş in Turkey. Poland has been shown separately due to its significance.

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

5 Exceptional items

£ millions	2015/16	2014/15
Included within selling and distribution expenses		
UK & Ireland and continental Europe restructuring	(305)	(17)
Brico Dépôt Romania impairment	(3)	–
Transaction costs	–	(15)
	(308)	(32)
Included within administrative expenses		
Brico Dépôt Romania impairment	(15)	–
	(15)	–
Included within other income		
Profit on disposal of B&Q China	143	–
Profit on disposal of property and other companies	13	–
Disposal of properties and non-operational asset losses	1	(3)
	157	(3)
Exceptional items before tax	(166)	(35)
Exceptional tax items	67	106
Exceptional items	(99)	71

Current year exceptional items include a £305m restructuring charge relating to the transformation of B&Q in the UK and the announced closure of loss-making stores in France and other countries in continental Europe.

In the UK, the exceptional charge for the transformation of B&Q involves the closure of stores in over-spaced catchments and optimisation of vacant space, along with productivity initiatives aimed at delivering a simpler, more efficient business with a lower cost operating model. The exceptional loss includes lease exit costs, store asset impairments, employee redundancy costs, and inventory write downs arising from store closures and harmonisation of the stock management operating model. In the prior year, transformation costs amounted to £17m. In continental Europe, the exceptional charge includes lease exit costs and store asset impairments.

An exceptional loss of £18m has been recorded for the impairment of goodwill and certain store properties relating to the Brico Dépôt Romania business. This has arisen from a strategic review of the business following recent trading results falling below expectations in an ongoing difficult trading environment. Refer to note 12 for further information.

In the prior year, exceptional transaction costs were incurred relating to the potential acquisition of Mr Bricolage, which ultimately did not proceed, and the agreement to dispose of a controlling stake in the B&Q China business.

Profits were recorded in the year on the disposal of the Group's controlling 70% stake in B&Q China and the sale of property and other companies. Refer to note 33 for further information.

Exceptional tax items for the year amount to a credit of £67m. In the prior year, exceptional tax credits included the tax impact on exceptional items and the release of prior year provisions, which had either been agreed with the tax authorities, reassessed or time expired.

6 Net finance costs

£ millions	2015/16	2014/15
Bank overdrafts and bank loans	(8)	(7)
Fixed term debt	(3)	(3)
Finance leases	(3)	(3)
Financing fair value remeasurements	(4)	4
Unwinding of discount on provisions	(1)	(1)
Net interest expense on defined benefit pension schemes	–	(3)
Other interest payable	(3)	–
Finance costs	(22)	(13)
Cash and cash equivalents and short-term deposits	3	5
Net interest income on defined benefit pension schemes	5	–
Finance income	8	5
Net finance costs	(14)	(8)

Fixed term debt interest includes net interest income accrued on derivatives of £9m (2014/15: £11m income) and amortisation of issue costs of borrowings of £1m (2014/15: £nil).

Financing fair value remeasurements comprise a net gain on derivatives, excluding accrued interest, of £5m (2014/15: £21m gain), offset by a net loss from fair value adjustments to the carrying value of borrowings and cash of £9m (2014/15: £17m loss).

7 Profit before taxation

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

£ millions	2015/16	2014/15
Sales	10,441	10,966
Other income	183	37
Finance income	8	5
Revenue	10,632	11,008

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

£ millions	2015/16	2014/15
Operating lease rentals		
Minimum lease payments – Property ⁽¹⁾	411	440
Minimum lease payments – Equipment	29	40
Sublease income	(6)	(18)
	434	462
Rental income received on investment property	(4)	(6)
Amortisation of other intangible assets ⁽²⁾	49	39
Depreciation of property, plant and equipment and investment property		
Owned assets	180	212
Under finance leases	11	11
Impairment of goodwill	15	–
Impairment of other intangible assets	3	8
Impairment of property, plant and equipment and investment property	37	22
(Gain)/loss on disposal		
Land and buildings, investment property and property held for sale	(1)	(21)
Fixtures, fittings and equipment	4	1
Inventories: write down to net realisable value	38	25
Trade and other receivables: write down of bad and doubtful debts	4	4

(1) Excludes rentals provided against as part of exceptional restructuring provision (see note 26).

(2) Of the amortisation of other intangible assets charge, £1m (2014/15: £1m) and £48m (2014/15: £38m) are included in selling and distribution expenses and administrative expenses respectively.

Auditor's remuneration

£ millions	2015/16	2014/15
Fees payable for the audit of the Company and consolidated financial statements	0.3	0.4
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	1.1	1.4
Audit fees	1.4	1.8
Audit-related assurance services	0.1	0.2
Other assurance services	0.1	–
Non-audit fees	0.2	0.2
Auditor's remuneration	1.6	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 48. No services were provided pursuant to contingent fee arrangements.

8 Employees and directors

£ millions	2015/16	2014/15
Wages and salaries	1,227	1,260
Social security costs	228	253
Post-employment benefits		
Defined contribution	25	28
Defined benefit (service cost only)	8	9
Share-based compensation	11	11
Employee benefit expenses	1,499	1,561

Number thousands	2015/16	2014/15
Stores	71	72
Administration	5	5
Average number of persons employed	76	77

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

Remuneration of key management personnel

£ millions	2015/16	2014/15
Short-term employee benefits	9.4	7.2
Post-employment benefits	0.4	1.2
Termination benefits	0.8	1.5
Share-based compensation	2.5	1.4
	13.1	11.3

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

Further detail with respect to the Directors' remuneration is set out in the Directors' Remuneration Report on pages 51 to 75. Other than as set out in the Directors' Remuneration Report, there have been no transactions with key management during the year (2014/15: £nil).

9 Income tax expense

£ millions	2015/16	2014/15
UK corporation tax		
Current tax on profits for the year	(7)	(46)
Adjustments in respect of prior years	4	96
	(3)	50
Overseas tax		
Current tax on profits for the year	(117)	(138)
Adjustments in respect of prior years	7	6
	(110)	(132)
Deferred tax		
Current year	14	12
Adjustments in respect of changes in tax rates	(1)	(1)
	13	11
Income tax expense	(100)	(71)

9 Income tax expense continued

Factors affecting tax charge for the year

The tax charge for the year differs from the standard rate of corporation tax in the UK of 20% (2014/15: 21%). The differences are explained below:

£ millions	2015/16	2014/15
Profit before taxation	512	644
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2014/15: 21%)	(102)	(135)
Share of post-tax results of joint ventures and associates	1	1
Net income not chargeable for tax purposes	26	1
Deferred tax assets utilised not previously recognised	8	4
Temporary differences:		
Net gains on property	1	4
Losses not recognised	(6)	(11)
Foreign tax rate differences	(38)	(36)
Adjustments in respect of prior years	11	102
Adjustments in respect of changes in tax rates	(1)	(1)
Income tax expense	(100)	(71)

The effective rate of tax on profit before exceptional items and excluding prior year tax adjustments and the impact of changes in tax rates on deferred tax is 26% (2014/15: 27%). Exceptional tax items for the year amount to a credit of £67m, £1m of which relates to prior year items. In 2014/15 exceptional tax items amounted to a credit of £106m, £95m relating to prior year items.

The effective tax rate calculation is set out in the Financial Review on page 27. The overall tax rate for the year is 20% (2014/15: 11%) reflecting tax relief on exceptional items as well as the release of prior year provisions which have been either agreed with the tax authorities, reassessed or time expired.

In addition to the amounts charged to the income statement, tax of £nil has been credited directly to equity (2014/15: £99m charge), of which a £18m credit (2014/15: £13m credit) is included in current tax and a £18m charge (2014/15: £112m charge) is included in deferred tax and principally relates to post-employment benefits.

Future changes in tax rates

The UK corporation tax rate fell from 21% to 20% from 1 April 2015 and will fall to 19% from 1 April 2017 and then to 18% from 1 April 2020. A further reduction to 17% was announced in March 2016 which is expected to take effect from 1 April 2020. As this reduction has not yet been substantively enacted, its impact is not included in these financial statements. The Spanish tax rate fell from 30% to 28% for the year ended 31 December 2015 and will fall to 25% for the year ended 31 December 2016. The surcharge in France ceased with effect from 1 January 2016, meaning the applicable rate in France going forward will fall from 38% to 34.43%.

10 Earnings per share

	2015/16			2014/15 (restated – note 2a)		
	Earnings £ millions	Weighted average number of shares millions	Earnings per share pence	Earnings £ millions	Weighted average number of shares millions	Earnings per share pence
Basic earnings per share	412	2,311	17.8	573	2,358	24.3
Effect of dilutive share options		8	–		11	(0.1)
Diluted earnings per share	412	2,319	17.8	573	2,369	24.2
Basic earnings per share	412	2,311	17.8	573	2,358	24.3
B&Q China operating loss	4		0.2	9		0.4
Exceptional items before tax	166		7.2	35		1.5
Tax on exceptional and prior year items	(76)		(3.3)	(112)		(4.8)
Financing fair value remeasurements	4		0.2	(4)		(0.2)
Tax on financing fair value remeasurements	(1)		(0.1)	1		0.1
Adjusted basic earnings per share	509	2,311	22.0	502	2,358	21.3
Diluted earnings per share	412	2,319	17.8	573	2,369	24.2
B&Q China operating loss	4		0.2	9		0.4
Exceptional items before tax	166		7.2	35		1.5
Tax on exceptional and prior year items	(76)		(3.3)	(112)		(4.8)
Financing fair value remeasurements	4		0.2	(4)		(0.2)
Tax on financing fair value remeasurements	(1)		(0.1)	1		0.1
Adjusted diluted earnings per share	509	2,319	22.0	502	2,369	21.2

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

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

11 Dividends

£ millions	2015/16	2014/15
Dividends to equity shareholders of the Company		
Ordinary interim dividend for the year ended 31 January 2016 of 3.18p per share (31 January 2015: 3.15p per share)	72	75
Special interim dividend of 4.2p per share paid 25 July 2014	–	100
Ordinary final dividend for the year ended 31 January 2015 of 6.85p per share (1 February 2014: 6.78p per share)	160	159
	232	334

The proposed final dividend for the year ended 31 January 2016 of 6.92p per share is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability.

12 Goodwill

£ millions

Cost	
At 1 February 2015	2,414
Disposals	(2)
At 31 January 2016	2,412

Impairment

At 1 February 2015	–
Charge for the year	(15)
At 31 January 2016	(15)

Net carrying amount

At 31 January 2016	2,397
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Cost

At 2 February 2014	2,541
Transfers to assets held for sale	(131)
Exchange differences	4
At 31 January 2015	2,414

Impairment

At 2 February 2014	(124)
Transfers to assets held for sale	131
Exchange differences	(7)
At 31 January 2015	–

Net carrying amount

At 31 January 2015	2,414
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An impairment loss of £15m has been recognised at the year end relating to all of the goodwill in the Brico Dépôt Romania business, which forms part of the 'Other International' reporting segment. This has arisen from a strategic review of the business following recent trading results falling below expectations in an ongoing difficult trading environment, resulting in a revision to projections for future performance.

Goodwill relating to B&Q China was reclassified to assets held for sale in the prior year.

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	Total
At 31 January 2016					
Cost	1,796	520	81	15	2,412
Impairment	–	–	–	(15)	(15)
Net carrying amount	1,796	520	81	–	2,397

At 31 January 2015

Cost	1,798	519	81	16	2,414
Net carrying amount	1,798	519	81	16	2,414

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

The groups of CGUs for which the carrying amount of goodwill is deemed significant are the UK, France and Poland. The key assumptions used for value-in-use calculations are set out below.

Assumptions

The cash flow projections are based on approved financial budgets and strategic plans covering a five year period. These are based on both past performance and expectations for future market development. The projections reflect the expected benefits of the 'ONE' Kingfisher plan, including the three key pillars of creating a unified, unique and leading offer, driving the Group's digital capability and optimising operational efficiency. For further details, refer to the Strategic Report.

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 trading plans and in particular the Group's transformation programme. They assume sales increases in each country that are higher than recent experience and market growth expectations, driven largely by an improved offer, price reinvestment and growth in digital engagement with customers. Assumed margin percentage improvements reflect a lower cost of goods sold from leveraging the Group's buying scale through a unified offer, which will be partially offset by range clearance and implementation costs. Higher assumed operating profit percentages reflect operational leverage from increased sales as well as cost savings through operational efficiencies, in particular from unifying goods not for resale spend.

Cash flows beyond this five year period are calculated using a growth rate which does not exceed the long-term average growth rate for retail businesses operating in the same countries as the CGUs.

The Board has reviewed a sensitivity analysis, including elimination of the projected benefits of the transformation plan, and does not consider that a reasonably possible change in the assumptions used in the value-in-use calculations would cause the carrying amounts of the CGUs to exceed their recoverable amounts.

The weighted average cost of capital, used to discount future cash flows, is calculated using a combination of the cost of debt, leases and equity, weighted according to an estimate of the CGU's capital gearing. A risk adjustment is also made for the country in which the CGU operates.

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

	2015/16		
	UK	France	Poland
Annual % rate			
Discount rate	8.4	8.2	8.6
Long-term growth rate	2.9	2.3	3.1

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

13 Other intangible assets

£ millions	Computer software	Other	Total
Cost			
At 1 February 2015	542	12	554
Additions	71	–	71
Disposals	(1)	–	(1)
Disposal of subsidiaries	(2)	–	(2)
At 31 January 2016	610	12	622
Amortisation			
At 1 February 2015	(290)	(6)	(296)
Charge for the year	(48)	(1)	(49)
Impairment losses	(3)	–	(3)
Disposals	1	–	1
Disposal of subsidiaries	1	–	1
At 31 January 2016	(339)	(7)	(346)
Net carrying amount			
At 31 January 2016	271	5	276
Cost			
At 2 February 2014	490	12	502
Additions	86	1	87
Disposals	(17)	–	(17)
Transfers to assets held for sale	(12)	–	(12)
Exchange differences	(5)	(1)	(6)
At 31 January 2015	542	12	554
Amortisation			
At 2 February 2014	(275)	(5)	(280)
Charge for the year	(38)	(1)	(39)
Impairment losses	(8)	–	(8)
Disposals	17	–	17
Transfers to assets held for sale	10	–	10
Exchange differences	4	–	4
At 31 January 2015	(290)	(6)	(296)
Net carrying amount			
At 31 January 2015	252	6	258

Additions in the year primarily related to the development of the unified IT platform, which will be amortised over its estimated useful life of 10 years as it becomes available for use in the operating companies.

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

14 Property, plant and equipment

£ millions	Land and buildings	Fixtures, fittings and equipment	Total
Cost			
At 1 February 2015	2,787	2,476	5,263
Additions	86	174	260
Disposals	(13)	(42)	(55)
Transfers to assets held for sale	(6)	–	(6)
Transfers to investment property	(17)	–	(17)
Exchange differences	4	9	13
At 31 January 2016	2,841	2,617	5,458
Depreciation			
At 1 February 2015	(380)	(1,680)	(2,060)
Charge for the year	(42)	(149)	(191)
Impairment losses	(17)	(19)	(36)
Disposals	10	38	48
Exchange differences	(1)	(6)	(7)
At 31 January 2016	(430)	(1,816)	(2,246)
Net carrying amount			
At 31 January 2016	2,411	801	3,212
Cost			
At 2 February 2014	3,160	2,587	5,747
Additions	58	146	204
Disposals	(19)	(59)	(78)
Transfers to assets held for sale	(214)	(113)	(327)
Exchange differences	(198)	(85)	(283)
At 31 January 2015	2,787	2,476	5,263
Depreciation			
At 2 February 2014	(429)	(1,693)	(2,122)
Charge for the year	(51)	(172)	(223)
Impairment losses	(9)	(3)	(12)
Disposals	4	58	62
Transfers to assets held for sale	87	85	172
Exchange differences	18	45	63
At 31 January 2015	(380)	(1,680)	(2,060)
Net carrying amount			
At 31 January 2015	2,407	796	3,203
Assets in the course of construction included above at net carrying amount			
At 31 January 2016	34	29	63
At 31 January 2015	33	40	73
Assets held under finance leases included above at net carrying amount			
At 31 January 2016	14	24	38
At 31 January 2015	16	28	44

Store asset impairment losses of £36m were recorded in the year as part of the UK and continental Europe exceptional restructuring programmes set out in note 5. These were based on a determination of recoverable amounts of the stores as the net present value of future pre-tax cash flows ('value-in-use') or fair value less costs to sell (using market valuations performed by independent external valuers) if higher.

14 Property, plant and equipment continued

The cumulative total of borrowing costs included at the balance sheet date, net of depreciation, is £27m (2014/15: £27m).

Land and buildings are analysed as follows:

£ millions	2015/16			2014/15	
	Freehold	Long leasehold	Short leasehold	Total	Total
Cost	2,318	136	387	2,841	2,787
Depreciation	(184)	(15)	(231)	(430)	(380)
Net carrying amount	2,134	121	156	2,411	2,407

Included in land and buildings is leasehold land that is in effect a prepayment for the use of land and is accordingly being amortised on a straight line basis over the estimated useful life of the assets. The net carrying amount of leasehold land included in land and buildings at 31 January 2016 is £135m (2014/15: £170m).

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 £2.9bn (2014/15: £2.7bn) on a sale and leaseback basis with Kingfisher in occupancy. The key assumption used in calculating this is the estimated yields. All the property, plant and equipment market valuations are considered to have been determined by level 3 inputs as defined by the fair value hierarchy of IFRS 13, 'Fair value measurement'. For poorly performing stores, a vacant possession valuation basis is used to approximate the fair value less costs to sell when reviewing for impairment.

15 Investment property

£ millions

Cost	
At 1 February 2015	41
Transfers from property, plant and equipment	17
Disposals	(21)
At 31 January 2016	37

Depreciation	
At 1 February 2015	(11)
Impairment losses	(1)
At 31 January 2016	(12)

Net carrying amount	
At 31 January 2016	25

Cost	
At 2 February 2014	60
Transfers to assets held for sale	(19)
At 31 January 2015	41

Depreciation	
At 2 February 2014	(10)
Impairment losses	(10)
Transfers to assets held for sale	9
At 31 January 2015	(11)

Net carrying amount	
At 31 January 2015	30

A property valuation exercise is performed for internal purposes annually as described in note 14. Based on this exercise the fair value of investment property is £37m (2014/15: £60m). All the investment properties held by the Group at fair value are considered to have fair values determined by level 3 inputs as defined by the fair value hierarchy of IFRS 13, 'Fair value measurement'.

16 Investments in joint ventures and associates

£ millions

At 1 February 2015	28
Share of post-tax results	3
Dividends	(5)
Exchange differences	(3)
At 31 January 2016	23
At 2 February 2014	32
Share of post-tax results	5
Dividends	(7)
Exchange differences	(2)
At 31 January 2015	28

No goodwill is included in the carrying amount of investments in joint ventures and associates (2014/15: £nil).

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

	Principal place of business	% interest held	Class of shares owned	Main activity
Principal joint venture				
Koçtaş Yapı Marketleri Ticaret A.Ş. ⁽¹⁾	Turkey	50%	Ordinary	Retailing
Principal associate				
Crealfi S.A. ⁽¹⁾	France	49%	Ordinary	Finance

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

Aggregate amounts relating to joint ventures and associates:

£ millions	2015/16			2014/15		
	Joint ventures	Associates	Total	Joint ventures	Associates	Total
Non-current assets	20	2	22	22	2	24
Current assets	51	63	114	53	62	115
Current liabilities	(40)	(53)	(93)	(42)	(53)	(95)
Non-current liabilities	(20)	–	(20)	(16)	–	(16)
Share of net assets	11	12	23	17	11	28
Sales	150	11	161	160	12	172
Operating expenses	(143)	(10)	(153)	(151)	(10)	(161)
Operating profit	7	1	8	9	2	11
Net finance costs	(4)	–	(4)	(4)	–	(4)
Profit before taxation	3	1	4	5	2	7
Income tax expense	(1)	–	(1)	(1)	(1)	(2)
Share of post-tax results	2	1	3	4	1	5

17 Available-for-sale financial assets

£ millions

	2015/16	2014/15
B&Q China investment	62	–

The Group held a 30% interest in B&Q China, which was held at fair value – refer to note 33 for further details. During the period since classification of the investment as an available-for-sale financial asset, fair value gains of £2m have been recognised in other comprehensive income. The fair value was based on a consideration of the economic value attributed to the B&Q China business. The valuation incorporates non-observable inputs that would be classified as level 3 inputs as defined by the fair value hierarchy of IFRS 13, 'Fair value measurement'.

18 Inventories

£ millions	2015/16	2014/15
Finished goods for resale	1,957	2,021

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

The cost of inventories recognised as an expense and included in cost of sales for the year ended 31 January 2016 is £5,986m (2014/15: £6,373m).

19 Trade and other receivables

£ millions	2015/16	2014/15
Non-current		
Prepayments	5	5
Property receivables	1	1
Other receivables	1	1
	7	7
Current		
Trade receivables	65	63
Provision for bad and doubtful debts	(7)	(8)
Net trade receivables	58	55
Property receivables	2	2
Prepayments	124	121
Rebates due from suppliers	313	308
Other receivables	71	51
	568	537
Trade and other receivables	575	544

The fair values of trade and other receivables approximate to their carrying amounts. Refer to note 24 for information on the credit risk associated with trade and other receivables.

20 Cash and cash equivalents and short-term deposits

£ millions	2015/16	2014/15
Cash at bank and in hand	220	171
Other cash and cash equivalents	510	390
Cash and cash equivalents	730	561

Other cash and cash equivalents comprise bank deposits and investments in money market funds, fixed for periods of up to three months. The fair values of cash and cash equivalents approximate to their carrying amounts.

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

£ millions	2015/16	2014/15
Short-term deposits	70	48

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

21 Trade and other payables

£ millions	2015/16	2014/15 (restated – note 2a)
Current		
Trade payables	1,339	1,366
Other taxation and social security	244	210
Deferred income	122	119
Contract to purchase own shares	50	50
Deposit received in advance of B&Q China disposal	–	12
Accruals and other payables	614	580
	2,369	2,337
Non-current		
Accruals and other payables	53	64
Trade and other payables	2,422	2,401

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

Accruals include allowance for customer returns, representing the estimate of future sales returns at the year end.

The fair values of trade and other payables approximate to their carrying amounts.

22 Borrowings

£ millions	2015/16	2014/15
Current		
Bank overdrafts	76	91
Bank loans	2	2
Fixed term debt	48	–
Finance leases	12	12
	138	105
Non-current		
Bank loans	8	9
Fixed term debt	137	183
Finance leases	34	40
	179	232
Borrowings	317	337

Bank overdrafts and loans

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

Non-current bank loans have an average maturity of three years (2014/15: three years) and are arranged at fixed rates of interest with an effective interest rate of 1.6% (2014/15: 3.1%).

22 Borrowings continued

					2015/16	2014/15
£ millions	Principal outstanding	Maturity date	Coupon	Effective interest rate	Carrying amount	Carrying amount
US Dollar USPP	\$68m	24/05/16 ⁽¹⁾	6.3%	6.3%	48	47
US Dollar USPP	\$179m	24/05/18 ⁽¹⁾	6.4%	6.4%	137	136
					185	183

(1) \$247m swapped to floating rate Sterling based on 6 month LIBOR plus a margin using a cross-currency interest rate swap.

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

The carrying amounts of the USPP have been impacted both by exchange rate movements and fair value adjustments for interest rate risk. At 31 January 2016, the cumulative effect of interest rate fair value adjustments is to increase the Group's USPP carrying amounts by £12m (2014/15: £19m increase).

The USPP contains a covenant requiring that, as at the end of each semi-annual and annual financial reporting period, the ratio of operating profit to net interest payable, excluding exceptional items, should not be less than 3 to 1 for the preceding 12 month period. The Group has complied with this covenant for the year ended 31 January 2016.

Finance leases

The Group leases certain of its buildings and fixtures and equipment under finance leases. The average lease term maturity for buildings is six years (2014/15: seven years) and for fixtures and equipment is two years (2014/15: two years). Certain building leases include a clause to enable upward revision of the rental charge to prevailing market conditions.

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

	2015/16		2014/15	
£ millions	Present value of payments	Minimum payments	Present value of payments	Minimum payments
Less than one year	12	14	12	15
One to five years	21	26	23	32
More than five years	13	17	17	22
Total	46	57	52	69
Less amounts representing finance charges		(11)		(17)
Present value of minimum lease payments		46		52

The interest rates inherent in the finance leases are fixed at the contract date for the lease term. The weighted average effective interest rate on the Group's finance leases is 8.6% (2014/15: 8.7%).

	Fair value	
£ millions	2015/16	2014/15
Bank overdrafts	76	91
Bank loans	11	12
Fixed term debt	192	190
Finance leases	56	68
Borrowings	335	361

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'.

23 Derivatives

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

£ millions	2015/16	2014/15
Fair value hedges	56	54
Cash flow hedges	27	54
Non-designated hedges	10	4
	93	112
Non-current assets	43	52
Current assets	56	70
Current liabilities	(6)	(10)
	93	112

The Group holds the following derivative financial instruments at fair value:

£ millions	2015/16	2014/15
Cross currency interest rate swaps	56	54
Foreign exchange contracts	43	68
Derivative assets	99	122

£ millions	2015/16	2014/15
Foreign exchange contracts	(6)	(10)
Derivative liabilities	(6)	(10)

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 2016 net derivative assets included in net cash amount to £63m (2014/15: £57m net derivative assets).

Fair value hedges

Fair value hedges comprise cross currency interest rate swap contracts that convert US Private Placement fixed rate debt into floating rate liabilities. At 31 January 2016 the Sterling equivalent amount of such contracts is £174m (2014/15: £164m).

The Group also had an option to sell its 30% interest in B&Q China in the future – refer to note 33 for further details. At 31 January 2016 the fair value of the option was judged not to be significant. The value of the option was based on the value of the investment, which incorporated non-observable inputs that would be classified as level 3 in the IFRS 13 fair value hierarchy.

Cash flow hedges

Forward foreign exchange contracts hedge currency exposures of forecast inventory purchases. At 31 January 2016 the Sterling equivalent amount of such contracts is £504m (2014/15: £603m). The associated fair value gains and losses will be transferred to inventories when the purchases occur during the next 12 months. Gains of £50m (2014/15: £5m gains) have been transferred to inventories for contracts which matured during the year.

Non-designated hedges

The Group has entered into certain derivatives to provide a hedge against fluctuations in the income statement arising from balance sheet positions. At 31 January 2016 the Sterling equivalent amount of such contracts is £504m (2014/15: £704m). 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 fulfill its contractual obligations.

23 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 2016					
Derivative assets	99	–	99	(6)	93
Derivative liabilities	(6)	–	(6)	6	–
At 31 January 2015					
Derivative assets	122	–	122	(10)	112
Derivative liabilities	(10)	–	(10)	10	–

24 Financial risk management

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

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

Interest rate risk

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

Currency risk

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

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

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

£ millions	Sterling		Euro		US Dollar		Other		Total
	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	
At 31 January 2016									
Net cash before fair value adjustments and financing derivatives	(32)	188	(23)	26	(174)	461	–	49	495
Fair value adjustments to net cash	–	–	–	–	(12)	–	–	–	(12)
Financing derivatives	–	(437)	–	259	187	5	–	49	63
Net cash	(32)	(249)	(23)	285	1	466	–	98	546
At 31 January 2015									
Net cash before fair value adjustments and financing derivatives	(36)	179	(19)	(11)	(164)	291	–	51	291
Fair value adjustments to net cash	–	–	–	–	(19)	–	–	–	(19)
Financing derivatives	–	(723)	–	341	185	161	–	93	57
Net cash	(36)	(544)	(19)	330	2	452	–	144	329

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.

	2015/16	2014/15
£ millions	Net finance costs Income/ (costs)	Net finance costs Income/ (costs)
Effect of 1% rise in interest rates on net finance costs		
Sterling	(2)	(5)
Euro	3	3
US Dollar	5	5
Polish Zloty	1	2

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

	2015/16	2014/15
£ millions	Derivative cash flow hedges Increase	Derivative cash flow hedges Increase
Effect of 10% appreciation in foreign exchange rates on derivative cash flow hedges		
US Dollar against Sterling	33	36
US Dollar against Euro	24	25
US Dollar against Polish Zloty	5	3

The impact of changes in foreign exchange rates on cash flow hedges results from retranslation of forward purchases of US Dollars used to hedge forecast US Dollar purchases of inventories. The associated fair value gains and losses are deferred in equity until the purchases occur. See note 23 for further details.

The sensitivity analysis excludes the impact of movements in market variables on the carrying amount of trade and other payables and receivables, due to the low associated sensitivity, and are before the effect of tax. It has been prepared on the basis that the Group's debt, hedging activities, hedge accounting designations, and foreign currency proportion of debt and derivative contracts remain constant, reflecting the positions at 31 January 2016 and 31 January 2015 respectively. As a consequence, the analysis relates to the position at those dates and is not necessarily representative of the years then ended. In preparing the sensitivity analysis it is assumed that all hedges are fully effective.

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

24 Financial risk management continued

Liquidity risk

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

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

£ millions	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
At 31 January 2016							
Bank overdrafts	(76)	–	–	–	–	–	(76)
Bank loans	(3)	(3)	(1)	(2)	(1)	–	(10)
Fixed term debt	(57)	(8)	(130)	–	–	–	(195)
Finance leases	(14)	(9)	(7)	(5)	(5)	(17)	(57)
Derivatives – receipts	57	8	130	–	–	–	195
Derivatives – payments	(38)	(1)	(98)	–	–	–	(137)
At 31 January 2015							
Bank overdrafts	(91)	–	–	–	–	–	(91)
Bank loans	(2)	(3)	(3)	(2)	(2)	–	(12)
Fixed term debt	(10)	(54)	(8)	(123)	–	–	(195)
Finance leases	(15)	(12)	(8)	(7)	(5)	(22)	(69)
Derivatives – receipts	10	54	8	123	–	–	195
Derivatives – payments	(1)	(38)	(2)	(98)	–	–	(139)

At 31 January 2016 the Group had an undrawn revolving committed facility of £225m which was due to mature in March 2020. After the balance sheet date an extension has been arranged to March 2021. The £225m facility contains a covenant requiring that, as at the end of each annual and semi-annual financial reporting period, the ratio of operating profit to net interest payable, excluding exceptional items, should not be less than 3 to 1 for the preceding 12 month period. The Group has complied with this covenant for the year ended 31 January 2016.

Credit risk

The Group deposits surplus cash with a number of banks with the strongest short-term credit ratings and with money market funds which have AAA credit ratings and offer same day liquidity. A credit limit for each counterparty is agreed by the Board covering the full value of deposits and the fair value of derivative contracts. The credit risk is reduced further by spreading the investments and derivative contracts across several counterparties. At 31 January 2016, the highest total cash investment with a single counterparty was £63m (2014/15: £38m).

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.

No further credit risk provision is required in excess of the normal provision for bad and doubtful debts as the Group has a low concentration of credit risk in respect of trade receivables. Concentration of risk is limited as a result of low individual balances with short maturity spread across a large number of unrelated customers.

At 31 January 2016, trade and other receivables that are past due but not provided against amount to £62m (2014/15: £49m), of which £1m (2014/15: £4m) are over 120 days past due.

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

Capital risk

Capital risk management disclosures are provided in the Financial Review on page 29.

25 Deferred tax

£ millions	2015/16	2014/15 (restated – note 2a)
Deferred tax assets	11	10
Deferred tax liabilities	(333)	(324)
	(322)	(314)

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

£ millions	Accelerated tax depreciation	Gains on property	Provisions	Tax losses	Post-employment benefits	Other	Total
At 1 February 2015	(144)	(91)	28	4	(101)	(10)	(314)
(Charge)/credit to income statement	(6)	4	8	5	2	–	13
(Charge)/credit to equity	–	–	(10)	–	(17)	9	(18)
Exchange differences	(1)	(3)	–	–	–	1	(3)
At 31 January 2016	(151)	(90)	26	9	(116)	–	(322)
At 2 February 2014 (restated – note 2a)	(151)	(114)	24	7	(5)	5	(234)
(Charge)/credit to income statement	(6)	8	8	(2)	(1)	4	11
Charge to equity	–	–	(1)	–	(92)	(19)	(112)
Transfers to liabilities held for sale	–	9	–	–	–	–	9
Exchange differences	13	6	(3)	(1)	(3)	–	12
At 31 January 2015 (restated – note 2a)	(144)	(91)	28	4	(101)	(10)	(314)

At the balance sheet date, the Group has unused tax losses of £103m (2014/15: £259m) available for offset against future profits. A deferred tax asset has been recognised in respect of £45m (2014/15: £20m) of such losses. No deferred tax asset has been recognised in respect of the remaining £58m (2014/15: £239m) due to the unpredictability of future profit streams. As a result of the disposal of B&Q China, £200m of unrecognised losses have now been excluded. Included in unrecognised tax losses are losses arising in Portugal of £5m which can be carried forward only in the next one to twelve years. Other unrecognised losses may be carried forward indefinitely.

No deferred tax liability is recognised on temporary differences of £3,630m (2014/15: £3,384m) relating to the unremitted earnings of overseas subsidiaries and joint ventures. This is because the earnings are continually reinvested by the Group and therefore no tax is expected to be payable on them in the foreseeable future.

26 Provisions

£ millions	Onerous property contracts	Restructuring	Total
At 1 February 2015	26	21	47
Charge to income statement	–	266	266
Utilised in the year	(5)	(28)	(33)
Reclassification	–	(3)	(3)
Unwinding of discount	1	–	1
Exchange differences	(1)	–	(1)
At 31 January 2016	21	256	277
Current liabilities	2	67	69
Non-current liabilities	19	189	208
	21	256	277

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

Restructuring provisions include the estimated costs of the UK and continental Europe restructuring programmes as detailed further in note 5, the vast majority of which relates to future idle property costs, in addition to some employee redundancy costs. For the B&Q UK onerous leases, the weighted average remaining lease term to earliest exit, before any surrenders, assignment or mitigation through subleases, is seven years. The provisions have been discounted to reflect the time value of money and the risks associated with the specific liabilities.

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

27 Post-employment benefits

The Group operates a variety of post-employment benefit arrangements covering both funded and unfunded defined benefit schemes and defined contribution schemes. The most significant defined benefit and defined contribution schemes are in the UK. The principal overseas defined benefit schemes are in France, where they are mainly retirement indemnity in nature. The overseas schemes are not material in relation to the Group as a whole.

Defined contribution schemes

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

£ millions	2015/16	2014/15
Charge to operating profit	25	28

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.

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

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

The Trust Deed provides Kingfisher with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business the trustees have 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 plc. The Group retains control over these properties, including the flexibility to substitute alternative properties. The Trustee has a first charge over the properties in the event that Kingfisher plc becomes insolvent. The scheme's partnership interest entitles it to the majority of the income of the partnership over the 20 year period of the arrangement. The payments to the scheme by Kingfisher SLP over this term are reflected as Group pension contributions on a cash basis. At the end of this term, Kingfisher plc has the option to acquire the Trustee's partnership interest in Kingfisher SLP.

The Group has control over the partnership and therefore it is consolidated in these Group financial statements. Accordingly, advantage has been taken of the exemptions provided by Regulation 7 of the Partnerships (Accounts) Regulations 2008 from the requirements for preparation, delivery and publication of the partnership's accounts.

Income statement

£ millions	2015/16			2014/15		
	UK	Overseas	Total	UK	Overseas	Total
Amounts charged/(credited) to operating profit						
Current service cost	2	6	8	2	7	9
Administration costs	4	–	4	3	–	3
Curtailment gain	–	–	–	–	(9)	(9)
	6	6	12	5	(2)	3
Amounts charged/(credited) to net finance costs						
Net interest (income)/expense	(6)	1	(5)	1	2	3
Total charged to income statement	–	7	7	6	–	6

In the prior year a curtailment gain of £9m was recognised in relation to the closure of a senior executive scheme in France. Of the net charge to operating profit, a £9m charge (2014/15: £7m charge) and £3m charge (2014/15: £4m credit) are included in selling and distribution expenses and administrative expenses respectively. Actuarial gains and losses have been reported in the statement of comprehensive income.

Balance sheet

£ millions	2015/16			2014/15		
	UK	Overseas	Total	UK	Overseas	Total
Present value of defined benefit obligations	(2,374)	(102)	(2,476)	(2,606)	(97)	(2,703)
Fair value of scheme assets	2,620	15	2,635	2,800	15	2,815
Net surplus/(deficit) in schemes	246	(87)	159	194	(82)	112

Movements in the surplus or deficit are as follows:

£ millions	2015/16			2014/15		
	UK	Overseas	Total	UK	Overseas	Total
Net surplus/(deficit) in schemes at beginning of year	194	(82)	112	(29)	(71)	(100)
Current service cost	(2)	(6)	(8)	(2)	(7)	(9)
Administration costs	(4)	–	(4)	(3)	–	(3)
Curtailment gain	–	–	–	–	9	9
Net interest income/(expense)	6	(1)	5	(1)	(2)	(3)
Net actuarial gains/(losses)	16	3	19	194	(19)	175
Contributions paid by employer	36	1	37	35	1	36
Exchange differences	–	(2)	(2)	–	7	7
Net surplus/(deficit) in schemes at end of year	246	(87)	159	194	(82)	112

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

£ millions	2015/16			2014/15		
	UK	Overseas	Total	UK	Overseas	Total
Present value of defined benefit obligations at beginning of year	(2,606)	(97)	(2,703)	(2,135)	(92)	(2,227)
Current service cost	(2)	(6)	(8)	(2)	(7)	(9)
Curtailment gain	–	–	–	–	9	9
Interest expense	(77)	(1)	(78)	(93)	(3)	(96)
Actuarial gains/(losses) – changes in financial assumptions	200	1	201	(471)	(20)	(491)
Actuarial gains – experience adjustments	33	2	35	30	1	31
Benefits paid	78	1	79	65	7	72
Exchange differences	–	(2)	(2)	–	8	8
Present value of defined benefit obligations at end of year	(2,374)	(102)	(2,476)	(2,606)	(97)	(2,703)

27 Post-employment benefits continued

The present value of UK scheme defined benefit obligation is 62% (2014/15: 62%) in respect of deferred members and 38% (2014/15: 38%) in respect of current pensioners.

The weighted average duration of the UK scheme obligations at the end of the year is 20 years (2014/15: 21 years).

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

£ millions	2015/16			2014/15		
	UK	Overseas	Total	UK	Overseas	Total
Fair value of scheme assets at beginning of year	2,800	15	2,815	2,106	21	2,127
Administration costs	(4)	–	(4)	(3)	–	(3)
Interest income	83	–	83	92	1	93
Actuarial losses – actual return less interest income	(217)	–	(217)	635	–	635
Contributions paid by employer	36	1	37	35	1	36
Benefits paid	(78)	(1)	(79)	(65)	(7)	(72)
Exchange differences	–	–	–	–	(1)	(1)
Fair value of scheme assets at end of year	2,620	15	2,635	2,800	15	2,815

On 11 December 2015 the scheme entered into a medically underwritten annuity policy with a major insurance company for certain pensioner liabilities, thereby removing the longevity risk associated with these members. Measured against the long-term funding objective that has been agreed between Kingfisher and the Trustee, entering into the annuity represented a small funding improvement. As the cost of the annuity of £228m was greater than the IAS 19 accounting value of the corresponding liabilities, a loss of £44m has been recorded in other comprehensive income (included as part of actuarial losses in the assets table above).

The fair value of scheme assets is analysed as follows:

£ millions	2015/16				2014/15			
	UK	Overseas	Total	% of total	UK	Overseas	Total	% of total
Government bonds ⁽¹⁾	1,155	–	1,155	44%	1,262	–	1,262	45%
Corporate bonds	779	–	779	30%	777	–	777	28%
Derivatives	(129)	–	(129)	(5%)	(71)	–	(71)	(3%)
UK equities	57	–	57	2%	59	–	59	2%
Overseas equities	295	–	295	11%	394	–	394	14%
Property	25	–	25	1%	28	–	28	1%
Annuity	180	–	180	7%	–	–	–	–
Cash and other	258	15	273	10%	351	15	366	13%
Total fair value of scheme assets	2,620	15	2,635	100%	2,800	15	2,815	100%

(1) Including LDI repurchase agreement liabilities.

All UK scheme assets have quoted prices in active markets, except for £331m (2014/15: £165m) 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 £2.8bn (2014/15: £2.4bn) and associated repurchase agreement liabilities of £1.6bn (2014/15: £1.1bn). 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 £36m.

Principal actuarial valuation assumptions

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

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

	2015/16		2014/15	
	UK	Overseas	UK	Overseas
Annual % rate				
Discount rate	3.6	1.8	3.0	1.8
Price inflation	3.1	2.0	2.8	2.0
Rate of pension increases	2.9	–	2.7	–
Salary escalation	n/a	2.4	n/a	2.5

For the UK scheme, the mortality assumptions used in the actuarial valuations have been selected with regard to the characteristics and experience of the membership of the scheme from 2010 to 2013. The base mortality assumptions have been derived by adjusting standard mortality tables (SAPS tables) projected forward to 2013 using the 'CMI 2013' core projection improvement factors, as published by the UK actuarial profession. In addition, allowance has been made for future increases in life expectancy. The allowance is in line with CMI 2013 improvements subject to a long-term rate of 1.25% pa for males and 1.0% pa for females. These improvements take into account trends observed within the scheme over the past decade and general population trends.

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

Years	2015/16	2014/15
Age to which current pensioners are expected to live (60 now)		
– Male	86.8	86.7
– Female	87.4	87.3
Age to which future pensioners are expected to live (60 in 15 years' time)		
– Male	87.5	87.4
– Female	88.6	88.6

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

Assumption	Change in assumption	Impact on defined benefit obligation
Discount rate	Increase/decrease by 0.1%	Decrease/increase by £48m
Price inflation	Increase/decrease by 0.1%	Increase/decrease by £41m
Rate of pension increases	Increase/decrease by 0.1%	Increase/decrease by £43m
Mortality	Increase in life expectancy by one year	Increase by £86m

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

28 Share capital

	Number of ordinary shares millions	Ordinary share capital £ millions
At 1 February 2015	2,350	369
New shares issued under share schemes	2	–
Purchase of own shares for cancellation	(56)	(8)
At 31 January 2016	2,296	361
At 2 February 2014	2,376	373
New shares issued under share schemes	3	1
Purchase of own shares for cancellation	(29)	(5)
At 31 January 2015	2,350	369

Ordinary shares have a par value of 15⁵/₇ pence per share.

During the year the Group purchased 56 million (2014/15: 29 million) of the Company's own shares for cancellation at a cost of £200m (2014/15: £100m) as part of its capital returns programme. At 31 January 2016 the Group had an additional contractual commitment of £50m (2014/15: £50m) to purchase the Company's own shares under an irrevocable closed season buyback agreement.

29 Other reserves

£ millions	Translation reserve	Cash flow hedge reserve	Available-for-sale reserve	Other	Total
At 1 February 2015	(194)	41	–	164	11
Currency translation differences					
Group	1	–	–	–	1
Joint ventures and associates	(3)	–	–	–	(3)
Transferred to income statement	(7)	–	–	–	(7)
Cash flow hedges					
Fair value gains	–	24	–	–	24
Gains transferred to inventories	–	(50)	–	–	(50)
Available-for-sale financial assets					
Fair value gains	–	–	2	–	2
Tax on items that may be reclassified	(2)	10	–	–	8
Other comprehensive income for the year	(11)	(16)	2	–	(25)
Purchase of own shares for cancellation	–	–	–	8	8
At 31 January 2016	(205)	25	2	172	(6)
At 2 February 2014	112	(5)	–	159	266
Currency translation differences					
Group	(309)	–	–	–	(309)
Joint ventures and associates	(2)	–	–	–	(2)
Cash flow hedges					
Fair value gains	–	70	–	–	70
Gains transferred to inventories	–	(5)	–	–	(5)
Tax on items that may be reclassified	5	(19)	–	–	(14)
Other comprehensive income for the year	(306)	46	–	–	(260)
Purchase of own shares for cancellation	–	–	–	5	5
At 31 January 2015	(194)	41	–	164	11

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

30 Share-based payments

	2015/16		2014/15	
	Options Number	Weighted average exercise price £	Options Number	Weighted average exercise price £
Outstanding at beginning of year	26,577,857	1.05	38,123,624	0.61
Granted during the year ^{(1) (2)}	11,760,622	0.91	13,371,999	1.09
Forfeited during the year	(4,076,225)	0.95	(14,117,788)	0.27
Exercised during the year	(7,729,839)	0.61	(10,799,978)	0.57
Outstanding at end of year	26,532,415	1.13	26,577,857	1.05
Exercisable at end of year	1,600,718	0.57	1,557,515	0.87

(1) The charge to the income statement for the years ended 31 January 2016 and 31 January 2015 in respect of share-based payments includes the first year's charge of the 2016 Kingfisher Incentive Share Plan ('KISP') – Deferred Bonus Award and 2015 Kingfisher Incentive Share Plan ('KISP') – Deferred Bonus Award grants respectively, based on the cash bonus for the year. Since grants under the KISP – Deferred Bonus Award are made following the year end to which the first year of charge relates, it is not possible to give the number of options granted until after the year end.

(2) The weighted average exercise price for options granted during the year represents a blend of nil price KISS, KISP, Kingfisher Performance Share Plan ('PSP') and discounted Sharesave options (see below).

Information on the share schemes is given in note 15 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 £3.54 (2014/15: £3.49). The options outstanding at the end of the year have exercise prices ranging from nil to £3.15 and a weighted average remaining contractual life of 4.2 years (2014/15: 3.6 years).

The Group recognised a total expense of £11m in the year ended 31 January 2016 (2014/15: £11m) relating to equity-settled share-based payment transactions.

The fair value of share options and deferred shares is determined by independent valuers using Black-Scholes and stochastic option pricing models. The inputs of the principal schemes into these models are as follows:

	Date of grant	Share price at grant £	Exercise price £	Expected life ⁽²⁾ years	Expected volatility ⁽³⁾ %	Dividend yield %	Risk free rate %	Fair value £
Kingfisher Incentive Share Scheme ⁽¹⁾	25/04/12	2.96	–	7.0	–	–	–	2.96
	11/04/13	2.97	–	7.0	–	–	–	2.97
Kingfisher Incentive Share Plan – Deferred Bonus Awards	23/04/14	4.19	–	7.0	–	–	–	4.19
	23/04/15	3.52	–	7.0	–	–	–	3.52
Performance Share Plan	17/06/11	2.65	–	7.0	–	–	–	2.65
	21/10/11	2.63	–	7.0	–	–	–	2.63
	03/05/12	2.91	–	7.0	–	–	–	2.91
	16/10/12	2.81	–	7.0	–	–	–	2.81
	25/04/13	3.10	–	7.0	–	–	–	3.10
	22/10/13	3.74	–	7.0	–	–	–	3.74
Kingfisher Incentive Share Plan – Long Term Incentive Awards	03/07/14	3.61	–	7.0	–	–	–	3.61
	15/09/14	3.16	–	7.0	–	–	–	3.16
	05/05/15	3.54	–	7.0	–	–	–	3.54
	20/10/15	3.63	–	7.0	–	–	–	3.63
UK and International Sharesave	28/10/10	2.39	1.87	5.5	37.3%	2.3%	1.9%	0.39
	26/10/11	2.64	1.99	3.5	39.1%	2.9%	0.9%	0.54
	26/10/11	2.64	1.99	5.5	37.6%	2.9%	1.4%	0.42
	19/10/12	2.85	2.17	3.5	25.9%	3.3%	0.4%	0.45
	19/10/12	2.85	2.17	5.5	37.6%	3.3%	0.9%	0.49
	22/10/13	3.74	3.15	3.5	23.3%	2.5%	0.9%	0.49
	22/10/13	3.74	3.15	5.5	33.6%	2.5%	1.6%	0.59
	21/10/14	2.94	2.52	3.5	23.8%	3.4%	1.1%	0.35
	21/10/14	2.94	2.52	5.5	24.5%	3.4%	1.5%	0.31
	22/10/15	3.51	2.81	3.5	22.4%	2.9%	0.8%	0.48
	22/10/15	3.51	2.81	5.5	23.1%	2.9%	1.2%	0.41

(1) The Kingfisher Incentive Share Scheme includes the Company Share Option Plan ("CSOP") element of the KISS awards.

(2) Expected life is disclosed based on the UK schemes. For the KISP, KISS and PSP schemes in the UK, the expiry date is seven years from the date of grant. Expiry of overseas KISS schemes is six months from the date of vesting. Expiry of overseas KISP – Long Term Incentive Award schemes is one year from the date of vesting.

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

31 Cash generated by operations

£ millions	2015/16	2014/15
Operating profit	526	652
Share of post-tax results of joint ventures and associates	(3)	(5)
Depreciation and amortisation	240	262
Impairment losses	55	30
Loss/(profit) on disposal of property, plant and equipment, investment property, property held for sale and intangible assets	3	(20)
Profit on disposal of B&Q China	(143)	–
Profit on disposal of property and other companies	(13)	–
Share-based compensation charge	11	11
Decrease/(increase) in inventories	56	(150)
(Increase)/decrease in trade and other receivables	(36)	12
Increase in trade and other payables	27	53
Movement in provisions	233	(6)
Movement in post-employment benefits	(25)	(33)
Cash generated by operations	931	806

32 Net cash

£ millions	2015/16	2014/15
Cash and cash equivalents	730	561
Bank overdrafts	(76)	(91)
Cash and cash equivalents and bank overdrafts	654	470
Short-term deposits	70	48
Bank loans	(10)	(11)
Fixed term debt	(185)	(183)
Financing derivatives	63	57
Finance leases	(46)	(52)
Net cash	546	329

£ millions	2015/16	2014/15
Net cash at beginning of year	329	238
Net increase in cash and cash equivalents and bank overdrafts, including amounts classified as held for sale	127	55
Increase in short-term deposits	22	48
Repayment of bank loans	1	2
Repayment of fixed term debt	–	73
Payment on financing derivatives	–	9
Capital element of finance lease rental payments	13	14
Cash flow movement in net cash	163	201
Adjustment for cash classified as held for sale (B&Q China)	57	(57)
Exchange differences and other non-cash movements	(3)	(53)
Net cash at end of year	546	329

33 Disposals

On 30 April 2015 Wumei Holdings Inc acquired a controlling 70% stake in the B&Q China business from the Group for a gross cash consideration of £140m, and a £12m deposit received in the prior year was repaid.

As part of the terms of the transaction, Kingfisher had the option from 1 May 2017, or sooner where agreed by both parties, to require Wumei Holdings Inc to acquire the Group's remaining 30% interest for a fixed price of the Sterling equivalent of RMB 582m (£62m at 31 January 2016). This option was exercised on 23 March 2016. The transaction is subject to regulatory approval and, if approved, is expected to close later this year.

The profit on disposal of the Group's controlling 70% stake in B&Q China of £143m is analysed as follows:

£ millions

Proceeds (net of disposal costs paid of £6m)	134
Cash disposed	(32)
Net disposal proceeds received	102
Fair value at date of disposal of 30% interest retained	60
	162
Net assets disposed excluding cash (see below)	(32)
Non-controlling interests disposed	10
Currency translation gains transferred from translation reserve	3
Exceptional profit on disposal	143

£ millions

Property, plant and equipment	150
Inventories, trade and other receivables/(payables)	(108)
Provisions	(3)
Deferred tax liabilities	(9)
Other net assets	2
Net assets disposed excluding cash	32

The Group did not have the ability to exert significant influence on the B&Q China operations, for example, as part of the terms agreed with Wumei Holdings Inc, the Group did not have the right to appoint directors to the board. The remaining 30% B&Q China investment has therefore been classified as a financial asset and not as an associate, with no share of B&Q China's results being recognised in the income statement after the disposal date. Included within the profit on disposal is a gain of £44m attributable to measuring this retained 30% investment at fair value. The B&Q China business had been classified as a disposal group held for sale from 22 December 2014 (the date of announcement of the transaction agreement) up to the 30 April 2015 disposal date. Accordingly, depreciation of £4m was not charged with respect to B&Q China during the year.

In April 2015 the Group completed the sale of a property company for proceeds of £18m and a profit of £16m. At disposal, the freehold properties had a net book value of £6m and £4m of currency translation gains were transferred from the translation reserve. In January 2016 the Group completed the sale of a UK company for proceeds of £nil and a loss of £3m. At disposal, the company had goodwill of £2m and other intangible assets of £1m.

In the prior year the Group received proceeds of €236m (£198m) following the sale of its 21% stake in Hornbach in March 2014.

34 Assets and liabilities held for sale

£ millions	2015/16	2014/15
Assets held for sale	6	274
Liabilities held for sale	–	(195)
	6	79

At 31 January 2016 assets held for sale comprise £6m of freehold properties in the UK.

In the prior year, assets and liabilities held for sale included a property company and the assets and liabilities of B&Q China. The property company and a controlling 70% stake in the B&Q China business were disposed in the current year (see note 33).

35 Commitments

Operating lease commitments

The Group is a lessee of various retail stores, offices, warehouses and plant and equipment under lease agreements with varying terms, escalation clauses and renewal rights.

The Group is also a lessor and sub-lessor of space with freehold and leasehold properties respectively. Lease arrangements under which rental payments are contingent upon sales, other performance or usage are not significant for the Group.

There are no corporate restrictions imposed by lease arrangements such as those concerning dividends, additional debt and further leasing.

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

£ millions	2015/16	2014/15
Less than one year	416	409
One to five years	1,366	1,406
More than five years	1,726	1,933
	3,508	3,748

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

£ millions	2015/16	2014/15
Less than one year	13	15
One to five years	38	41
More than five years	39	48
	90	104

The total of future minimum operating sublease receipts expected to be received is £70m (2014/15: £73m).

Capital commitments

Capital commitments contracted but not provided for by the Group amount to £46m (2014/15: £57m).

36 Contingent liabilities

The Group has arranged for certain guarantees to be provided to third parties in the ordinary course of business. Of these guarantees, only £1m (2014/15: £1m) would crystallise due to possible future events not wholly within the Group's control.

The Group is subject to claims and litigation arising in the ordinary course of business and provision is made where liabilities are considered likely to arise on the basis of current information and legal advice.

37 Related party transactions

During the year, the Company and its subsidiaries carried out a number of transactions with related parties in the normal course of business and on an arm's length basis. The names of the related parties, the nature of these transactions and their total value are shown below:

£ millions	2015/16		2014/15	
	Income	Receivable	Income/ (expense)	Receivable/ (payable)
Transactions with Koçtaş Yapi Marketleri Ticaret A.S. in which the Group holds a 50% interest				
Provision of employee services	–	–	(0.1)	(0.1)
Commission and other income	1.2	0.1	1.2	0.2
Transactions with Crealfi S.A. in which the Group holds a 49% interest				
Provision of employee services	0.1	–	0.1	–
Commission and other income	5.7	0.3	6.6	1.5
Transactions with the Kingfisher Pension Scheme				
Provision of administrative services	1.2	0.1	1.3	0.4

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

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

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

38 Post balance sheet events

On 23 March 2016 Kingfisher exercised its option to dispose of its 30% interest in the B&Q China business to Wumei Holdings Inc – refer to note 33 for further details.

Company balance sheet

At 31 January 2016

£ millions	Notes	2015/16	2014/15 (restated – note 18)
Non-current assets			
Intangible assets	3	–	4
Property, plant and equipment	4	–	–
Investment in subsidiary	5	6,813	6,823
Post-employment benefits	13	13	11
Derivative assets	10	42	52
		6,868	6,890
Current assets			
Trade and other receivables	6	3,341	3,256
Derivative assets	10	24	11
Current tax assets		63	71
Short-term deposits	7	–	25
Cash and cash equivalents		154	102
		3,582	3,465
Total assets		10,450	10,355
Current liabilities			
Trade and other payables	8	(4,359)	(4,318)
Borrowings	9	(48)	–
Derivative liabilities	10	(3)	(7)
Provisions	12	(1)	–
		(4,411)	(4,325)
Non-current liabilities			
Borrowings	9	(137)	(183)
Deferred tax liabilities	11	(1)	–
Provisions	12	(4)	(6)
		(142)	(189)
Total liabilities		(4,553)	(4,514)
Net assets		5,897	5,841
Equity			
Share capital	14	361	369
Share premium		2,218	2,214
Own shares held in ESOP trust		(24)	(26)
Retained earnings		2,618	2,568
Other reserves		724	716
Total equity		5,897	5,841

The financial statements were approved by the Board of Directors on 23 March 2016 and signed on its behalf by:

Véronique Laury
Chief Executive Officer

Karen Witts
Chief Financial Officer

Company statement of changes in equity

Year ended 31 January 2016

£ millions	Share capital	Share premium	Own shares held	Retained earnings	Other reserves ⁽¹⁾	Total equity
At 1 February 2015	369	2,214	(26)	2,568	716	5,841
Profit for the year	–	–	–	482	–	482
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income for the year	369	2,214	(26)	3,050	716	6,323
Share-based compensation	–	–	–	3	–	3
Capital contributions given relating to share-based payments	–	–	–	14	–	14
New shares issued under share schemes	–	4	–	–	–	4
Own shares issued under share schemes	–	–	18	(17)	–	1
Purchase of own shares for cancellation	(8)	–	–	(200)	8	(200)
Purchase of own shares for ESOP trust	–	–	(16)	–	–	(16)
Dividends	–	–	–	(232)	–	(232)
At 31 January 2016	361	2,218	(24)	2,618	724	5,897
At 2 February 2014 (as previously reported)	373	2,209	(35)	1,581	711	4,839
Effect of changes in accounting policies (note 18)	–	–	–	5	–	5
At 2 February 2014 (restated)	373	2,209	(35)	1,586	711	4,844
Profit for the year	–	–	–	1,475	–	1,475
Other comprehensive income for the year	–	–	–	1	–	1
Total comprehensive income for the year	–	–	–	1,476	–	1,476
Share-based compensation	–	–	–	5	–	5
Capital contributions given relating to share-based payments	–	–	–	9	–	9
New shares issued under share schemes	1	5	–	–	–	6
Own shares issued under share schemes	–	–	26	(24)	–	2
Purchase of own shares for cancellation	(5)	–	–	(150)	5	(150)
Purchase of own shares for ESOP trust	–	–	(17)	–	–	(17)
Dividends	–	–	–	(334)	–	(334)
At 31 January 2015 (restated)	369	2,214	(26)	2,568	716	5,841

(1) The other reserves represent the premium on the issue of convertible loan stock in 1993, the merger reserve relating to the acquisition of Darty and the capital redemption reserve.

1 Principal accounting policies

The financial statements of Kingfisher plc ('the Company') are for the calendar year ended 31 January 2016 ('the year' or '2015/16') and were authorised for issue by the board of directors on 23 March 2016. The comparative financial year is the 52 weeks ended 31 January 2015 ('the prior year' or '2014/15').

The directors of Kingfisher plc, having made appropriate enquiries, consider that adequate resources exist for the Company to continue in operational existence and that, therefore, it is appropriate to adopt the going concern basis in preparing the financial statements for the year ended 31 January 2016. Refer to the Strategic Report on page 35.

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, unless otherwise stated.

a. Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange at the balance sheet date. Exchange differences on monetary items are taken to the income statement.

Principal rate of exchange against Sterling:

Euro	2015/16	2014/15
Year end rate	1.31	1.33

b. Intangible assets

Intangible fixed assets are carried in the balance sheet at cost less accumulated amortisation and any provisions for impairment. Amortisation is provided to reflect a straight line reduction from cost to estimated residual value over the estimated useful life of the asset.

c. Property, plant and equipment

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

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

Fixtures and fittings	– between 4 and 20 years
Computers and electronic equipment	– between 3 and 5 years
Motor cars	– 4 years

At each reporting date an assessment is performed as to whether there are any indicators that property, plant and equipment may be impaired and, should such indicators exist, the assets' recoverable amounts are subsequently estimated. The recoverable amount is assessed by reference to the net present value of expected future pre-tax cash flows ('value-in-use') of the relevant cash generating unit or fair value less costs to sell if higher. The discount rate applied is based upon the Company's weighted average cost of capital with appropriate adjustments for the risks associated with the relevant cash generating unit. Any impairment in value is charged to the income statement in the period in which it occurs.

d. Investments

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

e. Operating leases

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

f. 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.

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

For defined contribution schemes, the 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 shareholders' funds and the shares are held at historical cost until they are sold. The assets, liabilities, income and costs of the ESOP trust are included in both the Company's and the consolidated financial statements.

g. 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.

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 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.

h. Provisions

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

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.

i. Financial instruments

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

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

(i) Cash and cash equivalents

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

(ii) Borrowings

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

(iii) Other investments (including short-term deposits)

Other investments may include short-term deposits with banks and other investments with original maturities of more than three months.

(iv) Trade receivables

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

(v) Trade payables

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

(vi) Derivatives and hedge accounting

Where hedge accounting is not applied, or to the extent to which it is not effective, changes in the fair value of derivatives are recognised in the income statement as they arise.

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. Gains or losses from remeasuring the corresponding hedging instrument are recognised in the same line of the income statement.

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

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

j. Dividends

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

2 Income statement disclosures

The audit fee for the Company and the consolidated financial statements is disclosed in note 7 of the Kingfisher plc consolidated financial statements. Fees payable to Deloitte LLP and their associates for audit and non-audit services to the Company are not required to be disclosed because the Group financial statements disclose such fees on a consolidated basis. Details of the Company's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity were safeguarded are set out in the Audit Committee Report on page 48.

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

£ millions	2015/16	2014/15
Wages and salaries	28	25
Social security costs	5	3
Post-employment benefits – defined contribution	2	2
Share-based compensation	3	5
Employee benefit expenses	38	35

Number	2015/16	2014/15
Average number of persons employed		
Administration	231	220

Directors' remuneration and details of share option exercises are disclosed in the Directors' remuneration report on pages 51 to 75. Total Directors' remuneration for the year is £6m (2014/15: £8m).

3 Intangible assets

£ millions	Brands
Cost	
At 1 February 2015	4
Disposals	(4)
At 31 January 2016	–
Amortisation	
At 1 February 2015	–
Charge for the year	(2)
Disposals	2
At 31 January 2016	–
Net carrying amount	
At 31 January 2016	–

4 Property, plant and equipment

£ millions	Fixtures, fittings and equipment
Cost	
At 1 February 2015	4
At 31 January 2016	4
Depreciation	
At 1 February 2015	(4)
At 31 January 2016	(4)
Net carrying amount	
At 31 January 2016	–

5 Investments

£ millions	Investment in subsidiary
At 1 February 2015	6,823
Capital contributions given relating to share-based payments	14
Contributions received relating to share-based payments	(24)
At 31 January 2016	6,813

The more significant subsidiary undertakings of the Company at 31 January 2016 and the ultimate percentage holding are set out below. For a full list of subsidiaries and related undertakings, see note 19.

	Country of incorporation and operation	% interest held and voting rights	Class of share owned	Main activity
B&Q plc	United Kingdom	100%	Ordinary & special ⁽¹⁾	Retailing
B&Q Properties Limited	United Kingdom	100%	Ordinary	Property investment
Halcyon Finance Limited	United Kingdom	100%	Ordinary	Finance
Kingfisher Holdings Limited	United Kingdom	100%	Ordinary	Holding company
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.U.	France	100%	Ordinary	Retailing
Castorama Dubois Investissements S.C.A.	France	100%	Ordinary	Holding company
Castorama France S.A.S.U.	France	100%	Ordinary	Retailing
Euro Dépôt Immobilier S.A.S.U.	France	100%	Ordinary	Property investment
L'Immobilière Castorama S.A.S.U.	France	100%	Ordinary	Property investment
Kingfisher France S.A.S.	France	100%	Ordinary	Holding company
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 Dépôt Portugal S.A.	Portugal	100%	Ordinary	Retailing
Castorama RUS LLC ⁽²⁾	Russia	100%	Ordinary	Retailing
Bricostore Romania S.A. ⁽²⁾	Romania	100%	Ordinary	Retailing
Euro Dépôt España S.A.U.	Spain	100%	Ordinary	Retailing

(1) The special shares in B&Q plc are owned 100% by Kingfisher plc and are non-voting.

(2) Owing to local conditions, these companies prepare their financial statements to 31 December.

6 Trade and other receivables

£ millions	2015/16	2014/15
Current		
Owed by Group undertakings	3,338	3,251
Other receivables	3	5
	3,341	3,256

7 Short-term deposits

£ millions	2015/16	2014/15
Short-term deposits	–	25

Short-term deposits comprise bank deposits with original maturities of between three and 12 months.

8 Trade and other payables

£ millions	2015/16	2014/15
Current		
Owed to Group undertakings	4,266	4,232
Other taxation and social security	1	1
Contract to purchase own shares	50	50
Accruals and other payables	42	35
	4,359	4,318

The contract to purchase own shares relates to a liability arising under an irrevocable closed season buyback agreement for the purchase of the Company's own shares (see note 14).

9 Borrowings

£ millions	2015/16	2014/15
Current		
Fixed term debt	48	—
	48	—
Non-current		
Fixed term debt	137	183
	137	183

Details of the fixed term debt are given in note 22 to the consolidated financial statements.

10 Derivatives

£ millions	2015/16	2014/15
Cross currency interest rate swaps	56	54
Foreign exchange contracts	10	9
Derivative assets	66	63
Foreign exchange contracts	(3)	(7)
Derivative liabilities	(3)	(7)

11 Deferred tax

£ millions	2015/16	2014/15
Post-employment benefits	1	—
Total deferred tax liabilities	1	—

12 Provisions

£ millions	Onerous property contracts
At 1 February 2015	6
Utilised in the year	(1)
At 31 January 2016	5
Current liabilities	1
Non-current liabilities	4
	5

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

13 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	2015/16	2014/15
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 valuation of the scheme has been based on the most recent actuarial valuation as at 31 March 2013 and has been updated to 31 January 2016.

The final salary pension scheme was closed to future benefit accrual with effect from July 2012.

In 2010/11 and 2011/12 the Company entered into two phases of a property partnership arrangement with the scheme Trustee to address an element of the scheme deficit. Further details on this arrangement are given in note 27 of the consolidated financial statements. The reported pension position reflects the Company's share of the resulting scheme asset.

Income statement

£ millions	2015/16	2014/15
Net interest income	1	—
Total credited to income statement	1	—

Balance sheet

£ millions	2015/16	2014/15
Present value of defined benefit obligation	(70)	(77)
Fair value of scheme assets	83	88
Net surplus in scheme	13	11

14 Called up share capital

	Number of ordinary shares millions	Ordinary share capital £ millions
At 1 February 2015	2,350	369
New shares issued under share schemes	2	—
Purchase of own shares for cancellation	(56)	(8)
At 31 January 2016	2,296	361

Ordinary shares have a par value of 15⁵/₇ pence per share.

During the year the Company purchased 56 million of its own shares for cancellation at a cost of £200m as part of its capital returns programme. At 31 January 2016 the Company had an additional contractual commitment of £50m to purchase its own shares under an irrevocable closed season buyback agreement.

15 Share-based payments

The Company operates a number of share incentive plans including the Kingfisher Incentive Share Plan ('KISP'), Kingfisher Incentive Share Scheme ('KISS'), Kingfisher Performance Share Plan ('PSP'), Store Management Incentive Share Scheme and Sharesave plans in the UK, Ireland and overseas.

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 £3.54 (2014/15: £3.49). The options outstanding at the end of the year have exercise prices ranging from nil to £3.15 and a weighted average remaining contractual life of 4.9 years (2014/15: 4.5 years).

The Executive Directors' awards are disclosed in the Directors' Remuneration Report on pages 51 to 75. The Kingfisher Incentive Share Plan ('KISP'), Kingfisher Incentive Share Scheme ('KISS') and Performance Share Plan are described as part of the Directors' Remuneration Report.

Restricted Awards are granted as one-off compensatory awards granted under the rules of the KISS. They are granted as nil cost options, as with the KISS, but do not accrue dividends until after they are exercised. Vesting dates may vary according to individual grants.

The Store Manager Incentive Share Scheme contained performance conditions based on store standards, with awards lapsing if not maintained throughout the performance period. These awards did not accrue dividends during the vesting period.

Under the UK Sharesave scheme, eligible UK employees have been invited to enter into HMRC approved savings contracts for a period of three or five years, whereby shares may be acquired with savings under the contract. The option price is the average market price over three days shortly before the invitation to subscribe, discounted by 20%. Options are exercisable within a six month period from the conclusion of a three or five year period. The Irish and International Sharesave plans, which operate along similar lines of the UK Sharesave scheme, include eligible employees in Ireland and certain overseas locations.

The rules of all schemes include provision for the early exercise of options in certain circumstances.

The Employee Share Ownership Plan trust ('ESOP trust')

The ESOP trust is funded by an interest free loan from the Company of £76m (2014/15: £96m) to enable it to acquire shares in Kingfisher plc. The shares are used to satisfy options awarded under the KISP, KISS, Performance Share Plan, Store Management Incentive Share Scheme and International Sharesave schemes.

The ESOP trust's shareholding at 31 January 2016 is 7 million shares (2014/15: 8 million shares) with a nominal value of £1m (2014/15: £1m) and a market value of £23m (2014/15: £27m). Dividends on these shares were waived for the interim and final dividends.

16 Commitments

Operating lease commitments

The Company is a lessee of offices under lease agreements with varying terms, escalation clauses and renewal rights.

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

£ millions	2015/16	2014/15
Less than one year	3	3
One to five years	13	13
More than five years	5	8
	21	24

Undiscounted total future minimum rentals receivable under non-cancellable operating leases (being the total of future minimum operating sublease receipts expected to be received) are as follows:

£ millions	2015/16	2014/15
Less than one year	1	2
One to five years	1	3
	2	5

17 Related party transactions

During the year, the Company carried out a number of transactions with related parties in the normal course of business and on an arm's length basis. The names of the related parties, the nature of these transactions and their total value are shown below:

£ millions	2015/16		2014/15	
	Income	Receivable	Income/ (expense)	Receivable
Transactions with Koçtaş Yapi Marketleri Ticaret A.S. in which the Kingfisher plc Group holds a 50% interest				
Provision of employee services	–	–	(0.1)	–
Commission and other income	0.5	0.2	0.4	0.4
Transactions with the Kingfisher Pension Scheme				
Provision of administrative services	1.2	0.1	1.3	0.4

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 51 to 75.

Other transactions with the Kingfisher Pension Scheme are detailed in note 13.

18 Explanation of transition to FRS 101

This is the first year that the Company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under a previous GAAP (UK GAAP) were for the year ended 31 January 2015 and the date of transition to FRS 101 was 2 February 2014.

£ millions	31 January 2015	2 February 2014
Equity reported under previous UK GAAP	5,834	4,839
Adjustments to equity on transition to FRS 101		
Recognition of defined benefit pension scheme surplus	11	5
Deferred tax adjustments	(4)	–
Equity reported under FRS 101	5,841	4,844

Under FRS 101 the Company is able to recognise the net surplus of the defined benefit pension scheme, whereas this was precluded under previous UK GAAP. Deferred tax adjustments relate to the recognition of deferred tax liabilities on the pension scheme surplus and other adjustments relating to deferred tax on share-based payments.

19 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 2016 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 stated, 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).

ADSR Real Estate S.A.S.U. (France)	KFL5 S.A.S.U. (France)
Alcedo Finance Limited (United Kingdom)	KFL6 S.A.S.U. (France)
B&Q (Retail) Guernsey Limited (Guernsey)	KFL7 S.A.S.U. (France)
B&Q (Retail) Jersey Limited (Jersey)	KFL8 S.A.S.U. (France)
B&Q Ireland Limited (Ireland)	Kingfisher (Paddington) Limited (United Kingdom)
B&Q plc (United Kingdom) ⁽¹⁾	Kingfisher (Shanghai) Sourcing Consultancy Co. Limited (China)
B&Q Properties 7 Limited (United Kingdom)	Kingfisher Asia Limited (Hong Kong)
B&Q Properties 8 Limited (United Kingdom)	Kingfisher B.V. (Netherlands)
B&Q Properties Chesterfield Limited (United Kingdom)	Kingfisher France Limited (United Kingdom)
B&Q Properties Chestnut Retail Park Limited (United Kingdom)	Kingfisher France S.A.S. (France)
B&Q Properties Investments Limited (United Kingdom)	Kingfisher France Services S.A.S.U. (France)
B&Q Properties Limited (United Kingdom)	Kingfisher Future Homes Limited (United Kingdom)
B&Q Properties New Malden Limited (United Kingdom)	Kingfisher Group Limited (United Kingdom)
B&Q Properties Nursling Limited (United Kingdom)	Kingfisher Holdings B.V. (Netherlands)
B&Q Properties South Shields Limited (United Kingdom)	Kingfisher Holdings Limited (United Kingdom) ⁽²⁾
B&Q Properties Sutton-In-Ashfield Limited (United Kingdom)	Kingfisher Information Technology Services (France) S.A.S.U. (France)
B&Q Properties Swindon Limited (United Kingdom)	Kingfisher Information Technology Services (UK) Limited (United Kingdom)
B&Q Properties Wrexham Limited (United Kingdom)	Kingfisher Insurance Designated Activity Company (Ireland)
Bargain Bob's Limited (United Kingdom)	Kingfisher International ApS (Denmark)
Brico Communication S.R.L. (Romania)	Kingfisher International Finance S.A. (Belgium) ⁽³⁾
Brico Dépôt Portugal S.A. (Portugal)	Kingfisher International France Limited (United Kingdom)
Brico Dépôt S.A.S.U. (France)	Kingfisher International Holdings Limited (United Kingdom)
Brico Development S.A. (Romania)	Kingfisher International Holdings S.A.S.U. (France)
Brico Foncier S.A. (Romania)	Kingfisher International Investments S.A.S.U. (France)
Brico Imobiliare Calarasi S.A. (Romania)	Kingfisher International Products Limited (United Kingdom)
Brico Supply S.A. (Romania)	Kingfisher Nominees Limited (United Kingdom)
Bricostore Romania S.A. (Romania)	Kingfisher Pension Trustee Limited (United Kingdom)
Budle Finance Limited (United Kingdom)	Kingfisher Properties Investments Limited (United Kingdom)
Castim Sp. z o.o. (Poland)	Kingfisher S.A.R.L. (France)
Castorama Dubois Investissements S.C.A. (France)	Kingfisher Scottish Limited Partnership (United Kingdom) ⁽⁴⁾
Castorama France S.A.S.U. (France)	Kingfisher Sourcing Eastern Europe Sp. z o.o. (Poland)
Castorama Partenariat SNC (France)	Kingfisher TMB Limited (United Kingdom)
Castorama Polska Sp. z o.o. (Poland)	Kingfisher UK Investments Limited (United Kingdom)
Castorama RUS LLC (Russia)	Kingfisher UK Limited (United Kingdom)
Dickens Limited (United Kingdom)	KSO Istanbul Sourcing Ev Geliştirme Ürünleri ve Hizmetleri Limited Şirketi (Turkey)
DIY Express Limited (United Kingdom)	La Tourelle S.A.S.U. (France)
EasyDrive (GB) Limited (United Kingdom)	Les Serres du Château S.A.R.L. (France)
Eijsvogel Finance Limited (United Kingdom)	L'Immobilière Castorama S.A.S.U. (France)
Eijsvogel S.A.R.L. (France)	Locke & Co Limited (United Kingdom)
Electricfix Limited (United Kingdom)	Martin Pecheur Finance S.A.R.L. (Luxembourg)
Erbauer (UK) Limited (United Kingdom)	Martin Pecheur Holdings Limited (Ireland)
Euro Dépôt Espana S.A.U. (Spain)	Martin Pecheur Investments Limited (Jersey)
Euro Dépôt Immobilier S.A.S.U. (France)	Martin Pecheur Limited (Jersey)
Forge Steel Limited (United Kingdom)	Martin Pecheur S.A.R.L. (France)
Geared Up Limited (United Kingdom)	Martin Pecheur Sterling Investments Limited (United Kingdom)
Halcyon Finance Limited (United Kingdom)	Moretti (UK) Limited (United Kingdom)
Halcyon S.A.R.L. (France)	New England Paint Company Limited (United Kingdom)
Immobiliere de l'Epinoy S.A.S.U. (France)	No Nonsense Limited (United Kingdom)
KF3 S.A.S.U. (France)	Paddington Investments Ireland Limited (Ireland)
KF5 S.A.S.U. (France)	Pescador S.A.R.L. (France)
KF6 S.A.S.U. (France)	Plumbfix Limited (United Kingdom)
KF7 S.A.S.U. (France)	Portswood B.V. (Netherlands)
KFL1 S.A.S.U. (France)	Portswood Investments Limited (United Kingdom)
KFL2 S.A.S.U. (France)	Powersmith Limited (United Kingdom)
KFL3 S.A.S.U. (France)	ProLand Corporation LLC (Russia)
KFL4 S.A.S.U. (France)	

19 Related undertakings of the Group continued

Screwfix Direct Limited (United Kingdom) ⁽⁵⁾	SNC Dynastock (France)
Screwfix Investments Limited (United Kingdom)	Société Commanditée de Castorama Dubois Investissements – Socodi S.A.R.L. (France)
Screwfix Limited (United Kingdom)	Société Letranne S.C.I. (France)
Screws Limited (United Kingdom)	Sorod S.A. (Romania)
SEGUSTERO S.A.S.U. (France)	Street Club Limited (United Kingdom)
SFD Limited (United Kingdom)	Titan Power Tools (UK) Limited (United Kingdom)
Sheldon Euro Investments 2 Limited (United Kingdom)	Trade Point Limited (United Kingdom)
Sheldon Euro Investments Limited (United Kingdom)	Waren Investments Limited (United Kingdom)
Sheldon Holdings Limited (United Kingdom)	Watersmith UK Limited (United Kingdom)
Sheldon Poland Investments Limited (United Kingdom)	Wildbird International Limited (United Kingdom) ⁽⁶⁾
Sheldon Sterling Investments Limited (United Kingdom)	Zeus Land Investments Limited (United Kingdom)
Site (UK) Limited (United Kingdom)	

Related undertakings other than subsidiaries

CMW (UK) Limited (United Kingdom, 30%)	Crealfi S.A. (France, 49%)
CASSOP 78 S.C.C.V. (France, 50%)	Koçtaş Yapi Marketleri Ticaret A.S. (Turkey, 50%)

- (1) 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. The shares held by Kingfisher plc represent less than 0.01% of the total issued share capital. The remaining shares in issue are Ordinary shares and are held by Kingfisher International Investments S.A.S.U.
- (2) Kingfisher plc holds 2,793,991,034 Ordinary Shares of £1 each. This represents 100% of the share capital in issue.
- (3) 90,889,378 Ordinary shares of no par value, 43,041,757 A Preference Shares of no par value and 17,299,082 B Preference Shares of €1.00 each – each representing 100% of the nominal value of each class of share. These represent 100% of the total issued share capital.
- (4) Kingfisher Properties Investments Limited and Kingfisher Pension Trustee Limited are the limited partners; B&Q Properties Investments Limited is the general partner.
- (5) 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.
- (6) 200 Ordinary 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.

Group five year financial summary

£ millions	2011/12 ⁽¹⁾⁽²⁾ 52 weeks	2012/13 ⁽¹⁾⁽²⁾⁽⁴⁾ 53 weeks ⁽³⁾	2013/14 ⁽¹⁾⁽²⁾ 52 weeks ⁽³⁾	2014/15 ⁽¹⁾⁽²⁾⁽⁵⁾ 52 weeks	2015/16 Calendar year ⁽⁶⁾
Income statement					
Sales	10,831	10,573	11,125	10,966	10,441
B&Q China sales	(366)	(374)	(421)	(361)	(110)
Adjusted sales	10,465	10,199	10,704	10,605	10,331
Retail profit	852	761	785	742	746
Central costs	(43)	(42)	(42)	(40)	(45)
Share of interest and tax of joint ventures and associates	(6)	(6)	(5)	(6)	(5)
Operating profit before B&Q China operating loss, share of Hornbach post-tax results and exceptional items	803	713	738	696	696
Net finance costs before financing fair value remeasurements and exceptional items	(12)	(3)	(2)	(12)	(10)
Adjusted pre-tax profit	791	710	736	684	686
B&Q China operating loss	(3)	(9)	(6)	(9)	(4)
Share of Hornbach post-tax results	19	14	14	–	–
Exceptional items (before tax)	(12)	(26)	17	(35)	(166)
Financing fair value remeasurements	2	2	(2)	4	(4)
Profit before taxation	797	691	759	644	512
Income tax expense (including exceptional items)	(158)	(127)	(49)	(71)	(100)
Profit for the year	639	564	710	573	412
Balance sheet					
Goodwill and other intangible assets	2,520	2,565	2,639	2,672	2,673
Property, plant and equipment and investment property	3,722	3,814	3,675	3,233	3,237
Investments in joint ventures and associates	271	289	32	28	23
B&Q China investment	–	–	–	–	62
Assets and liabilities held for sale	–	–	208	79	6
Other net current (liabilities)/assets ⁽⁷⁾	(290)	(128)	(19)	182	55
Post-employment benefits	(15)	–	(100)	112	159
Other net non-current liabilities ⁽⁷⁾	(393)	(422)	(356)	(405)	(575)
Capital employed	5,815	6,118	6,079	5,901	5,640
Equity shareholders' funds	5,719	6,148	6,308	6,220	6,186
Non-controlling interests	8	8	9	10	–
Net debt/(cash)	88	(38)	(238)	(329)	(546)
Capital employed	5,815	6,118	6,079	5,901	5,640
Other financial data					
Like-for-like sales growth	1.5%	(3.0%)	0.3%	0.9%	2.3%
Effective tax rate	28%	27%	26%	27%	26%
Basic earnings per share (pence)	27.5	24.1	30.0	24.3	17.8
Adjusted basic earnings per share (pence)	24.4	22.1	23.0	21.3	22.0
Ordinary dividend per share (pence)	8.84	9.46	9.9	10.0	10.1
Gross capital expenditure ⁽⁸⁾	450	316	304	275	333
Number of stores ⁽⁹⁾	919	988	1,079	1,153	1,156

(1) Adjusted pre-tax profit and adjusted basic earnings per share restated to exclude contribution from Hornbach, following its disposal in 2014/15. There was no contribution from Hornbach in 2014/15.

(2) Sales, retail profit, adjusted pre-tax profit, like-for-like sales growth and adjusted basic earnings per share restated to exclude B&Q China operating results, following the disposal of a 70% controlling stake in 2015/16.

(3) Like-for-like sales growth in 2012/13 was calculated by comparing 53 weeks against the equivalent 53 weeks of the prior year. Like-for-like sales growth in 2013/14 is calculated by comparing 52 weeks against the equivalent 52 weeks of the prior year. This only impacts the UK & Ireland businesses with all of the other businesses reporting on a calendar basis. The effect of the 53rd week on the results of the Group in 2012/13 was the inclusion of an additional £72m sales and an immaterial benefit to retail profit.

(4) 2012/13 restated for IAS 19 (revised), 'Employee benefits', resulting in the reclassification of £3m of pension administration costs from net finance costs to retail profit.

(5) 2014/15 restated for IFRIC 21, 'Levies', resulting in a restatement of balance sheet payables, deferred tax and equity shareholders' funds.

(6) In 2015/16 the Group moved its year end to 31 January (previously the nearest Saturday to 31 January) resulting in a calendar year ended 31 January 2016. This only impacts the UK & Ireland businesses with all other businesses already reporting on a calendar basis. This change had no material impact on the Group's results.

(7) Other net current (liabilities)/assets and other net non-current liabilities reported above exclude any components of net debt/(cash).

(8) Excluding business acquisitions.

(9) Excluding joint ventures and associates.

Shareholder Information

Annual General Meeting

The 2016 Annual General Meeting of the Company will be held on Wednesday, 15 June 2016 at the Farmers' and Fletchers' Hall, 3 Cloth St, London EC1A 7LD at 2.00pm.

Financial calendar

The proposed financial calendar for 2016/17 is as follows:

First quarter trading update	24 May 2016
Second quarter trading update	18 August 2016
Interim results to 31 July 2016	20 September 2016
Third quarter trading update	22 November 2016
Preliminary results to 31 January 2017	March 2017

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Telephone: +44(0)370 702 0129

Website: <http://www.investorcentre.co.uk>

Shareholder enquiries

Any queries that shareholders have regarding their shareholdings, such as a change of name or address, transfer of shares, lost share certificates or dividend cheques, should be referred to the Registrar using the contact details above. A Shareholder Helpline is available on UK business days between 8.30am and 5.30pm and contains an automated self-service functionality which is available 24 hours a day.

Share dealing facilities

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

- Telephone share dealing: Commission is 1%, plus £35; stamp duty at 0.5% is payable on purchases. The service is available from 8.00am to 4.30pm Monday to Friday excluding bank holidays. Telephone: +44(0)370 703 0084.
- Internet share dealing: Commission is 1%, subject to a minimum charge of £30; stamp duty at 0.5% is payable on purchases. The service is available to place orders out of market hours. Simply log onto <http://www.investorcentre.co.uk>.

Terms and conditions of both of these services can be obtained by calling +44(0)370 702 0129.

Unauthorised brokers (boiler room scams)

Kingfisher plc is legally obliged to make its share register available to the general public. Consequently some shareholders may receive unsolicited mail, including correspondence from unauthorised investment companies. We are aware that some shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based brokers who target UK shareholders offering to sell what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Details of any share dealing facilities that the Company endorses will be included in Company mailings.

Share price history

Financial year	£ per ordinary share*		Dollars per ADR**	
	High	Low	High	Low
2015/16	3.83	3.17	11.92	9.23
2014/15	4.44	2.85	14.71	9.07
2013/14	4.20	2.71	9.34	8.40
2012/13	3.14	2.54	9.98	7.81
2011/12	2.87	2.17	9.34	6.91

* Based on the daily closing price of Kingfisher plc shares on the London Stock Exchange.

** Based on the daily closing price of Kingfisher plc ADRs in the Over-the-Counter (OTC) market.

Analysis of shareholders and shareholdings as at 31 January 2016

Classification of Holder	Holdings	%	Shares	%
Individuals	19,868	89.70	28,015,590	1.21
Bank or Nominees	2,122	9.58	2,261,653,720	98.49
Investment Trust	17	0.08	126,007	0.01
Insurance Company	8	0.04	49,872	0.00
Other Company	114	0.51	1,832,013	0.08
Pension Trust	1	0.00	2,126	0.00
Other Corporate Body	20	0.09	4,743,741	0.21
Total	22,150	100.00	2,296,423,069	100.00

Size of holding	Shareholders	%	Shares	%
0-500	10,299	46.50	1,987,792	0.09
501-1,000	3,956	17.86	2,918,969	0.13
1,001-5,000	5,759	26.00	12,660,019	0.55
5,001-10,000	869	3.92	6,141,970	0.27
10,001-100,000	706	3.19	20,658,332	0.90
100,001-500,000	257	1.16	62,013,669	2.70
500,001 and above	304	1.37	2,190,042,318	95.37
Total	22,150	100.00	2,296,423,069	100.00

Dividend

The interim dividend for the financial year ended 31 January 2016 of 3.18p per share was paid on 13 November 2015.

The table below provides the payment information for the final dividend of 6.92p per share, subject to shareholder approval at the 2016 Annual General Meeting:

Ex-dividend date	5 May 2016
Record date	6 May 2016
Final date for return of DRIP mandate forms/currency elections	27 May 2016
Euro exchange rate notification	31 May 2016
Payment date and DRIP purchase	20 June 2016

Payment methods

Shareholders can elect to receive their dividends in a number of ways:

- **Cheque:** Dividends will automatically be paid to shareholders by cheque, which will be sent by post to the shareholder's registered address;
- **BACS:** Dividends can be paid by mandate directly to a UK bank or building society account through the BACS system. This method of payment reduces the risk of your cheque being intercepted or lost in the post. Shareholders wishing to receive their dividends in this way can update their mandate instructions at www.investorcentre.co.uk or complete a dividend mandate form and return it to the Registrars;
- **Dividend Reinvestment Plan (DRIP):** The Company also offers shareholders a DRIP, whereby their cash dividend can be used to buy additional shares in the Company. Shareholders can apply online at www.investorcentre.co.uk or complete a mandate form and return it to the address shown above; and
- **Global Payments Service:** This service, provided by the Registrar enables shareholders to have dividend payments paid directly into their bank account in their chosen local currency. To view terms and register, please visit www.computershare.com/uk/investor/GPS.

American Depositary Receipt (ADR)

The Company has a Sponsored Level 1 ADR programme in the United States, which trades on the OTCQX Platform. Each ADR represents two Kingfisher ordinary shares. The Company's ADR Programme is administered by Citibank, N.A., who were appointed 1 October 2015.

ADR Investor Contact:
Telephone: +1 877 248 4237
E-mail: citibank@shareholders-online.com

ADR Broker Contact:
Telephone: +1 212 723 5435 / +44(0) 20 7500 2030
E-mail: citiadr@citi.com

Electronic communication

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

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

Corporate website

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

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

Document viewing

Shareholders will have the opportunity to view certain documentation, as outlined in the Notice of Annual General Meeting, from at least 15 minutes prior to the meeting, until its conclusion. The rules of the Kingfisher Incentive Share Plan, the proposed Kingfisher Alignment Shares and Transformation Incentive Plan, the Articles of Association of the Company and other documentation referred to in this Annual Report can be viewed at the registered office during normal business hours.

Company Secretary and Registered Office

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Registered in England and Wales
Registered Number 01664812

Forward-looking statements

All statements in this Annual Report and Accounts, other than historical facts, may be forward-looking statements. Such statements are therefore subject to risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied because they relate to future events.

Forward-looking statements can be identified by the use of relevant terminology including the words: 'believes', 'estimates', 'anticipates', 'expects', 'intends', 'plans', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology and include all matters that are not historical facts. They appear in a number of places throughout this Annual Report and Accounts and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, changes in tax rates, liquidity, prospects, growth, strategies and the businesses we operate.

Other factors that could cause actual results to differ materially from those estimated by the forward-looking statements include, but are not limited to, global economic business conditions, monetary and interest rate policies, foreign currency exchange rates, equity and property prices, the impact of competition, inflation and deflation, changes to regulations, taxes and legislation, changes to consumer saving and spending habits; and our success in managing these factors.

Consequently, our actual future financial condition, performance and results could differ materially from the plans, goals and expectations set out in our forward-looking statements. Reliance should not be placed on any forward-looking statement. Nothing in this Annual Report and Accounts or the Kingfisher website should be construed as a profit forecast or an invitation to deal in the securities of Kingfisher.

The forward-looking statements contained herein speak only as of the date of this Annual Report and the Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise, other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules of the Financial Conduct Authority).

Glossary

Adjusted measures are before exceptional items, financing fair value remeasurements, amortisation of acquisition intangibles, related tax items and tax on prior year items including the impact of rate changes on deferred tax. Full year 2014/15 comparatives have been restated to exclude B&Q China's results. A reconciliation to statutory amounts is set out in the Financial Review on pages 25 to 30.

Adjusted sales excludes B&Q China sales.

Banque de France data includes relocated and extended stores. <http://webstat.banque-france.fr/en/browse.do?node=5384326>

Cut existing product tail – plan to reduce the number of delisted and ex-promotional ranges which do not form part of existing retail planograms.

EBITDA (earnings before interest, tax, depreciation and amortisation) is calculated as retail profit less central costs and before depreciation and amortisation.

EBITDAR (earnings before interest, tax, depreciation, amortisation and property operating lease rentals) is calculated as retail profit less central costs, before depreciation and amortisation and property operating lease rentals.

France consists of Castorama France and Brico Dépôt France.

Free cash flow represents cash generated from operations less the amount spent on tax, interest and capital expenditure during the year (excluding business acquisitions and disposals and asset disposals). A reconciliation from operating profit (before exceptional items) is set out in the Financial Review on pages 25 to 30.

French house building market – new housing starts and planning consent data for the 12 months to January 2016 according to the Ministry of Housing. <http://www.statistiques.developpement-durable.gouv.fr/logement-construction/s/construction-logements.html>

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

GNFR (Goods Not For Resale) covers the procurement of all goods and services a retailer needs (including e.g. media buying, mechanical handling equipment, printing & paper).

KEP (Kingfisher Economic Profit) represents earnings after a charge for the annual cost of capital employed in the business is derived from the concept of Economic Value Added.

Lease adjusted ROCE – Post-tax retail profit less central costs, excluding exceptional items and property lease costs, divided by lease adjusted capital employed excluding historic goodwill, net cash and exceptional restructuring provision. Capital employed is adjusted to include capitalised property leases. Kingfisher believes 8x property operating lease rent is a reasonable industry standard for estimating the economic value of its leased assets. Capital employed, except for capitalised leases, is calculated as a two point average. The calculation excludes disposed businesses e.g. China.

LFL stands for like-for-like sales growth representing the constant currency, year on year sales growth for stores that have been open for more than a year.

Net cash comprises borrowings and financing derivatives (excluding accrued interest), less cash and cash equivalents and short term deposits. It excludes balances classified as held for sale.

New Country Development consists of Screwfix Europe, Brico Dépôt Portugal and Brico Dépôt Romania.

Omnichannel – allowing customers to shop with us in any way they prefer.

Online sales are sales derived from online transactions, including click & collect. This includes sales transacted on any device, however not sales through a call centre.

Other International consists of Germany, Poland, Portugal, Romania, Russia, Spain and Turkey (Koçtaş JV).

Planogram – a diagram that shows how and where specific retail products should be placed on retail shelves or displays.

Retail profit is operating profit stated before central costs, exceptional items, amortisation of acquisition intangibles and the Group's share of interest and tax of JVs and associates. Full year 2014/15 comparatives have been restated to exclude B&Q China's operating loss.

Screwfix Europe – Screwfix outside of UK in continental Europe.

Statutory sales – Group sales exclude Joint Venture (Koçtaş JV) sales.

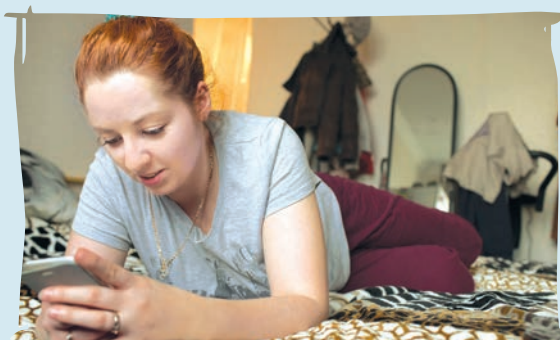
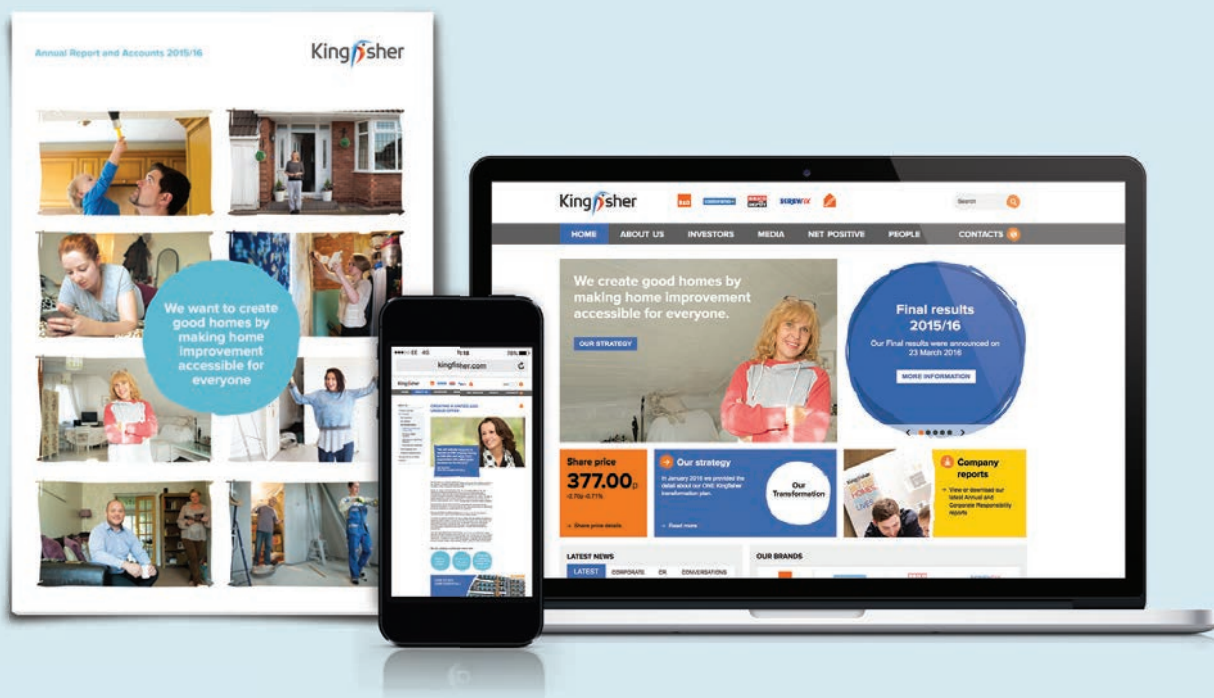
SKU (Stock Keeping Unit) – the number of individual variants of products sold or remaining in stock. It is a distinct type of item for sale, such as a product and all attributes associated with the item type that distinguish it from others. These attributes could include, but are not limited to, manufacturer, description, material, size, colour, packaging, and warranty terms.

UK & Ireland consists of B&Q in the UK & Ireland and Screwfix UK.

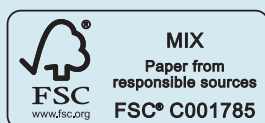
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