Kingfisher

IMAGE REMOVED

ONE Kingfisher

good progress on our journey

2017/18 annual report & accounts

contents

Kingfisher at a glance

Kingfisher plc is a home improvement company with nearly 1,300 stores in 10 countries across Europe.

We employ 78,000†* people and nearly six million customers shop in our stores and through our websites and apps every week.

Our ambition is to become the leading home improvement company. We believe everyone should have a home they feel good about, so our purpose is to make home improvement accessible for everyone.

1,280* stores

78,000†* colleagues

UK & Ireland **873**[1]

France **223**[2]

Spain **28**

Portugal **3**

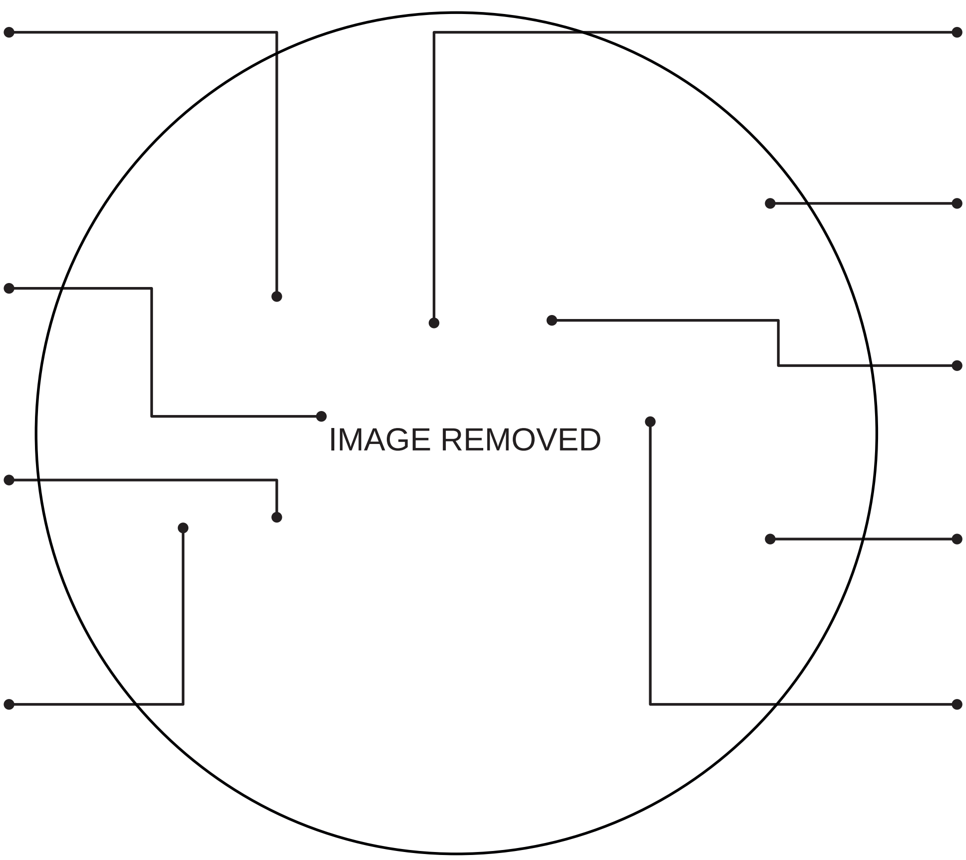
Germany **19**

Russia **20**

Poland **76**

Turkey*

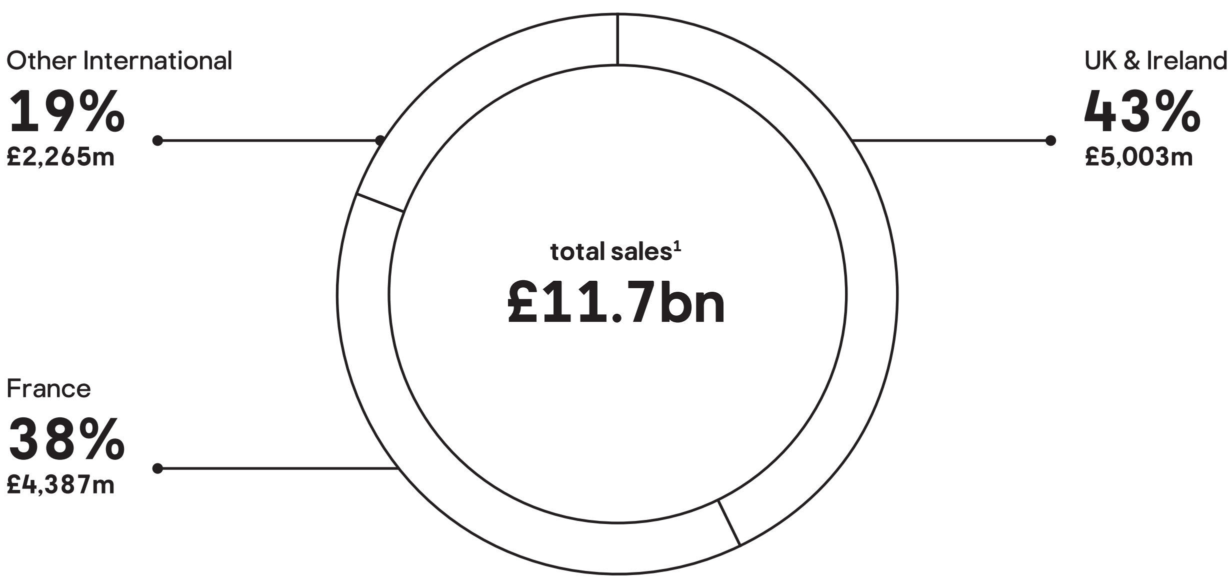
Romania **38**[3]

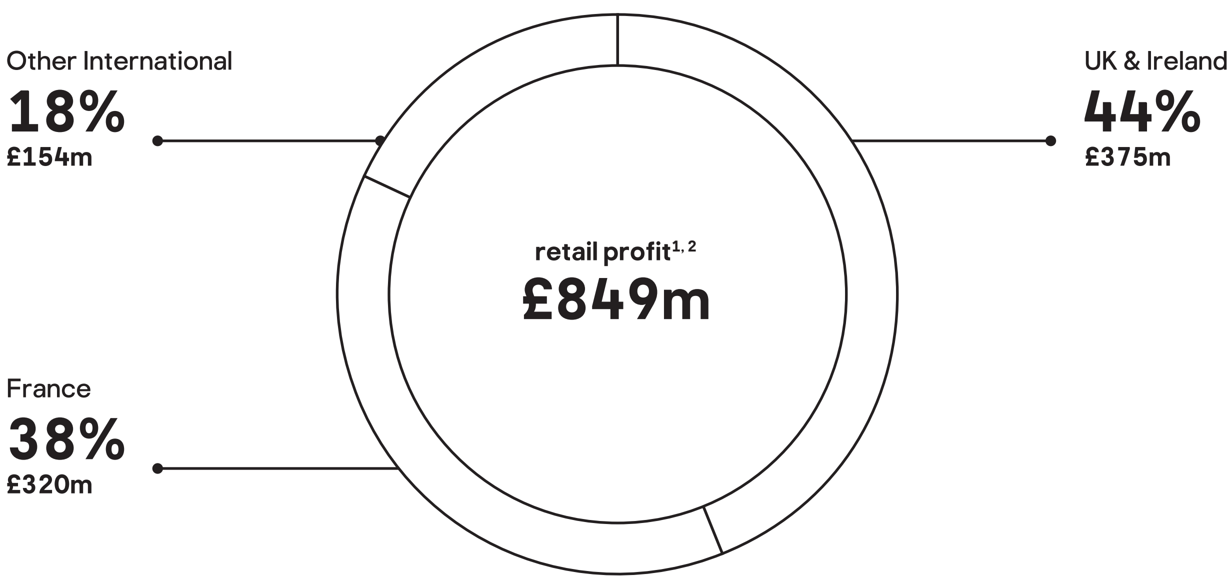


1. B&Q UK & Ireland 296, Screwfix 577.
2. Castorama 102, Brico Dépôt 121.
3. Brico Dépôt 15, Praktiker 23 (excludes 3 Praktiker Romania stores which will be closed).

* Turkey joint venture not consolidated.
† Total, not full-time equivalent.

geographic contribution





1. Financial Key Performance Indicator (KPI). For prior year comparison see page 4.
2. Alternative Performance Measure (APM). See page 171 for definitions of APMs.

financial highlights

Sales[1]

£11,655m
(0.3)%

2017/18	£11,655m
2016/17	£11,225m

Retail profit[2]

£849m
(3.6)%

2017/18	£849m
2016/17	£847m

Underlying pre-tax profit[3]

£797m
+1.3%

2017/18	£797m
2016/17	£787m

Adjusted pre-tax profit[3]

£683m
(8.1)%

2017/18	£683m
2016/17	£743m

Lease-adjusted return on capital employed (ROCE)[4]

10.4%
(210)bps

2017/18	10.4%
2016/17	12.5%

Full year dividend[5]

10.8p
+4.0%

2017/18	10.8p
2016/17	10.4p

Statutory pre-tax profit[5]

£682m
(10.1)%

2017/18	£682m
2016/17	£759m

Statutory post-tax profit[5]

£485m
(20.5)%

2017/18	£485m
2016/17	£610m

Basic earnings per share (EPS)[5]

22.1p
(18.5)%

2017/18	22.1p
2016/17	27.1p

1. Financial Key Performance Indicator (KPI). Percentage change reported on a constant currency basis.
2. Financial Key Performance Indicator (KPI) and Alternative Performance Measure (APM). Percentage change reported on a constant currency basis.
3. Alternative Performance Measure (APM). Percentage change reported on a reported currency basis.
4. Alternative Performance Measure (APM).
5. Statutory measure. Percentage change reported on a reported currency basis.

See glossary on page 171 for definitions of APMs.

chairman's statement

IMAGE REMOVED

I was delighted to be appointed chairman of Kingfisher in June 2017. This is an important, international business in a dynamic sector, and with a clear and relevant purpose – to make home improvement accessible for everyone.

There is a compelling logic in our aim to be more than just a retailer, aiming instead to be the leading home improvement company offering ideas, inspiration and services to customers, as well as products they need to improve their home. The transformation agenda, which was announced in 2016, is well underway, with a plan to increase annual profits by £500 million by 2021. Our management team, led by our Chief Executive Officer, Véronique Laury, is strong and fully committed to the ambitious plan we have set out.

The past year has been one of continued progress with our transformation plan. Our key Year 2 strategic milestones have been delivered. These included unifying 23% of our product ranges across the business during the year and entering our final year of the roll-out of our new IT platform. This platform has been rolled out at B&Q and completed at Castorama France stores, with back office and supply chain to be completed in Q1 2018. In the area of operational efficiencies, good progress has been made in reducing spend in areas such as security and media buying.

The full year results reflect continued good growth at Screwfix and Poland, and active management of 'self-help' initiatives. This was offset by some business disruption caused by implementation of the transformation plan and weaker sales in France, as well as softer Q4 sales in the UK. This led to underlying pre-tax profits of £797 million in the year, up 1.3% on the previous year. Statutory pre-tax profit was £682 million, down 10.1% on the previous year.

These results were achieved in challenging economic conditions. In the UK, consumer spending has been under pressure, with the added uncertainty of the ongoing Brexit negotiations. In France, many of the economic indicators were weak for much of the year. The recent market backdrop has been more encouraging, yet volatile. We are operating in very competitive markets, with the continued growth of digital retailing presenting both challenges and opportunities.

Turning to our performance by geography, in the UK & Ireland, sales were up 0.4%[1] (+0.6% like-for-like), led by double digit growth in like-for-like (LFL) sales at Screwfix. Retail profit was up 5%.

In France, sales decreased by 3.0%[1] (-3.5% LFL), with a 14.8% decline in retail profit reflecting the weaker sales and broadly flat gross margins, partly offset by continued focus on cost control. I'm pleased to say that our transformation plan is driving improvements with our customer proposition, prices and digital offering, though there is more to do.

Elsewhere, Poland continued to be a stand-out performer, with sales up by 6.3%[1] (+5.3% LFL) in a supportive market. In Romania, where LFL sales of our existing business were up 6.3%, we completed the acquisition of 26 Praktiker stores during the year, taking our total in Romania to 41 stores. The extra stores provide us with a strong national footprint in Romania and a solid base from which to grow further.

Our full year dividend was increased by 4% to 10.8p per share, reflecting confidence in the long-term prospects of the business. In addition to the annual dividend, Kingfisher also returned £260 million to shareholders during the year, through share buy-backs. This means that £460 million has been returned to shareholders in the past two years, over and above the normal dividend payments, with a further £140 million planned for the current year.

I was pleased to see the launch of Kingfisher's new sustainability plan, building on our strong heritage in this area. You can read more about the four key areas of focus in our sustainability plan on pages 30-31. We are also developing leading-edge training programmes for our colleagues, to enable them to provide even better service to our customers (see pages 28-29).

I would like to thank our 78,000 colleagues across our 10 countries who present the face of Kingfisher to our customers every day. Since I became Chairman, I have enjoyed meeting people in the many stores I have visited, and have been impressed by the knowledge and enthusiasm of our store teams and local management. They are wonderful ambassadors for the business.

At the annual general meeting in June, Andrew Bonfield will be stepping down as a non-executive director after serving over eight years on the Board. I would like to thank him for his support and wise counsel and wish him well in the future. We have recently appointed two new non-executive directors, Jeff Carr and Claudia Arney, to the Board, who will join in June and November respectively (see page 63). During the year, as part of our Governance processes, we held a Board evaluation, to assess the effectiveness of the Board, its committees, and individual directors (see page 58).

Andy Cosslett
Chairman

1. On a constant currency basis.

good progress on our journey

In January 2016, we announced our five year transformation plan, focused on putting customer needs first. This report provides detail about our ambition, our plan, our progress in the second year, and our journey to create ONE Kingfisher.

IMAGE REMOVED

our ambition

Our ambition is to become the leading home improvement company. At Kingfisher, we believe everybody should be able to have a home they can feel good about, so our purpose is to make home improvement accessible for everyone.

IMAGE REMOVED

IMAGE REMOVED

our plan

The ONE Kingfisher five year plan, which started in 2016/17, is leveraging the scale of the business by creating a unified company, where customer needs always come first. Our intention is that this five year transformation plan will deliver a £500 million sustainable annual profit uplift by the end of Year 5, over and above 'business as usual'.

IMAGE REMOVED

IMAGE REMOVED

our progress

The second year of our five year transformation plan has been another year of good progress. We have delivered the key strategic milestones for the second year. We are developing improved training programmes and engagement schemes for our colleagues. And this year we launched our new sustainability plan.

IMAGE REMOVED

IMAGE REMOVED

our ambition

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our ambition and our purpose

Our ambition is to become the leading home improvement company.

We believe everyone should have a home they feel good about, so our purpose is to make home improvement accessible for everyone.

In 2015, we were faced with a choice: disrupt ourselves or face being disrupted by new, agile competitors. We were a good company, built by hard-working colleagues, with solid sales and profit, and 1,200 stores across 10 markets. Our scale wasn't used well enough.

We were also not leveraging the massive potential of our markets. People always want to cherish where they live and will spend money to make their homes better. And with more people living in less space, within older houses and looking for more comfort, the home improvement market is large and growing. But the home improvement journey can be a nightmare with many barriers: lack of inspiration, budget, time, skills, or even just daily life.

People wanted help with home improvement. We visited thousands of homes across Europe, watching how people live and listening to customers. We were excited by what we learnt: people's home improvement needs are more similar than different; people are brave and resourceful, and willing to try, to learn and to do more in the home.

This untapped potential is our opportunity to play an important part in challenging the status quo and make a real difference for our customers.

This, coupled with our untapped scale, meant we had to reconsider our purpose and renew our ambition. So we chose to change.

We chose to line up our collective strengths behind one clear purpose: to make home improvement accessible for everyone. That means delivering the right solutions at the right time with great quality and consistently fair and affordable prices. And we are now 78,000 colleagues working together towards one ambition: to become the leading home improvement company.

Pursuing this ambition means operating in a different way: collaborating and doing things together once. With global functions and local businesses working hand in hand we can be more challenging, more efficient and more competitive. Each colleague has a unique role to play (read about how we're engaging our colleagues on pages 28-29).

We have a framework for action that guides everything we do, and will help us achieve our ambition and be the first-place people turn to for their home improvement needs (see page 12).

We are for everyone who wants to improve the home: professionals, helpers, and the home improvers themselves (see ecosystem, page 11). We want people to be successful whatever their home improvement projects are: to build, re-build, maintain or personalise the home.

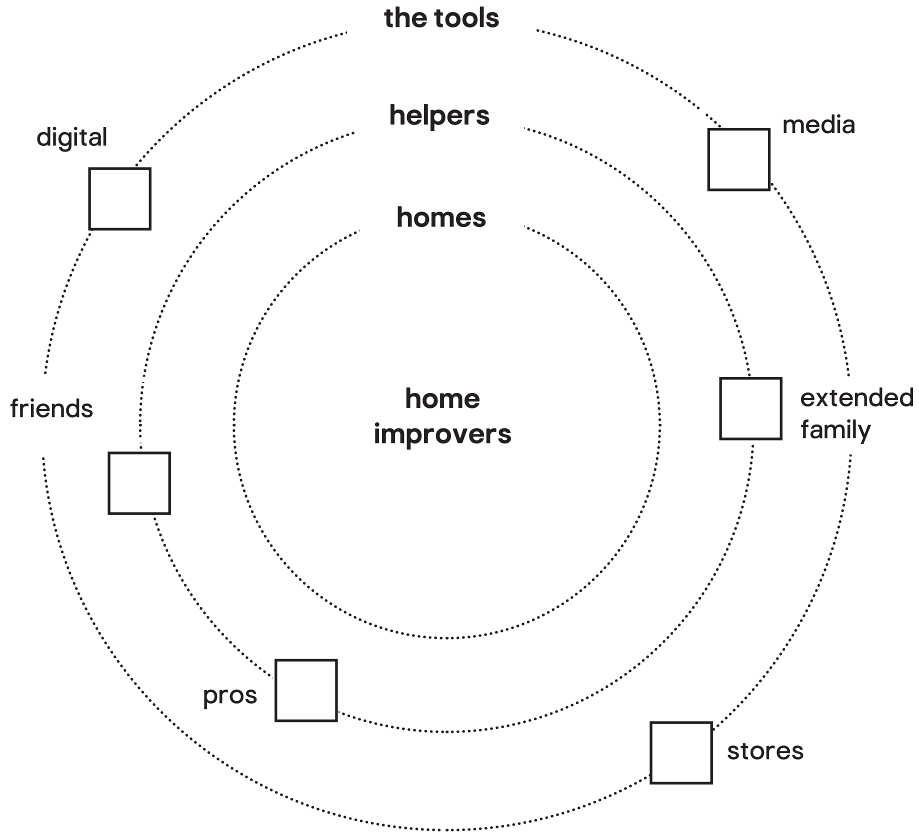
With the ONE Kingfisher plan (see page 19), and united under our common purpose, we will know better than anyone what our customers need, how to remove the barriers and hurdles, and provide unique solutions to home improvement problems. We will make home improvement accessible for millions more people.

At the same time, we will be a better employer for our colleagues, a better partner to the communities in which we operate, and the suppliers with whom we do business. We will also be a more responsible business, and a more valuable investment proposition for our investors (read more about our sustainability strategy on pages 30-31).

Our ambition is to become the leading home improvement company. And we're just getting started.

our home improvement ecosystem

We believe that our market is a large ecosystem, rather than traditional, separate segments.



Home improvers
Our customers are the millions of home improvers who want to improve their homes; whether they be an owner or a renter, whether they live in a flat or a house, whether they have a garden or not. Some of them have home improvement skills, some don't. Some of them have money, some less so.

Homes
At the heart of our customers' lives are their homes. It is where they raise their families, see their friends and express themselves through design and decoration.

Helpers
Outside help is often needed to get things done right, especially for bigger jobs or where people lack skills or confidence. This is when they call on their helpers. This could be the family member or neighbour who is willing to get involved, or the professional tradesperson.

The tools
A home improvement project invariably starts with digital inspiration, such as finding ideas online, watching 'how to' videos, comparing prices and using planning tools, to touching and testing products in stores and seeking advice and support from colleagues in stores.

our framework for action

These are the seven actions we will do together to achieve our ambition.

1	**We will think of customer needs first**
2	**We will design a seamless customer process**
3	**We will create a unique and leading offer with an integrated supply chain**
4	**We will create a leading customer experience in our stores**
5	**We will be a truly sustainable company**
6	**We will work as ONE**
7	**We will be low cost always**

our business model

We offer home improvement products and services to nearly six million customers who shop in our stores and through our digital channels every week.

By delivering on our strategy and operating sustainably, we create value for our customers, our colleagues, our shareholders, our suppliers and broader society.

Our customers

…We develop a deep understanding of customer needs…

How they use their homes

What they need to improve their homes

How they undertake home improvement

…We meet those customer needs all the way through their project…

Unified & Unique Offer

Ranges which meet customers' needs

Retail Operations

Stores that are easy to shop, the way customers want to shop

Digital

Support customers through every part of their home improvement journey

…We do this by working as ONE…

Colleagues

Engaged colleagues with the right training to help customers

Driving Sales

Through more people doing home improvement, which creates growth

Operational Efficiency

Leverage our scale, simpler and more effective ways of working, low cost always

Sustainability

Source and operate responsibly and use resources efficiently

Creating value for…

Customers
Homes that are good to live in, with better products, higher quality, lower prices

Colleagues
Rewarding work, feeling valued and being at their best, developing skills for life

Shareholders
Total Shareholder Return

Suppliers
Developing shared value in the supply chain

Society
Employment, operating sustainably and community involvement

Read more about our progress on pages 22-25

IMAGE REMOVED

our plan

The ONE Kingfisher five year plan, which started in 2016/17, is leveraging the scale of the business by creating a unified company, where customer needs always come first. Our intention is that this five year transformation plan will deliver a £500 million sustainable annual profit uplift by the end of Year 5, over and above 'business as usual'.

IMAGE REMOVED

chief executive officer’s statement

I am pleased to say that we have made good progress in the second year of our five year plan... and have delivered on all our key strategic milestones for the year.

It is now two years since we set out our plan to transform Kingfisher and become the leading home improvement company.

We explained that our purpose is to make home improvement accessible for everyone, and that we will do this by basing everything we do on the reality of our customers' lives – watching how people live, listening to them, and understanding the needs they have when they are seeking to improve their home and especially the challenges they face.

I am pleased to say that we have made good progress in the second year of our five year plan. The past year has seen a major step-up in the level of our transformation activity. The teams have worked hard to deliver on each of the three strategic pillars that make up the ONE Kingfisher plan: creating a unified, unique and leading offer, driving our digital capability, and optimising our operational efficiency. It has not been easy, and we have faced some challenges, including some business disruption. But I am delighted to say that we have delivered on all our key strategic milestones for the year, for the second year running.

In 2017/18 we increased the amount of unique and unified product ranges from 4% to 23%, exceeding our target for the year, with new ranges in categories such as bathrooms, hand tools and sealants. The customer benefits of these new ranges include higher quality products based on in-depth customer research, affordable prices and improved merchandising. This past year has seen the launch of the first unique ranges that have been designed and developed by Kingfisher's own teams and I'm pleased to say that they are being well received by customers. For example, the new Imandra bathroom furniture range is based on a modular and adjustable concept so products can work with any layout. We know that, across Europe, lack of storage space in the bathroom is a common problem. To help address this, features of our new range include slim cabinets that can be fitted from floor to ceiling, even behind doors, drawers that are deep enough to store towels and shallow basins with recessed waste pipes which allow space for a full extra drawer. Customer reaction has been very positive with sales of the new bathroom furniture ranges up by 50% in France, 36% in Poland and by 100% in the UK. Margins are also better, whilst we are making these solutions very affordable.

Later in the year we started to roll-out a new range of Magnusson hand tools. Magnusson was originally an own-brand range at our Brico Dépôt business in France. We improved it, adding extra features that would make the range as attractive to the professional tradesperson as the home improver. Tough, reliable and durable, this flagship new range includes everything from hammers and screwdrivers to spirit levels and steel tape measures and is now being rolled out across the business, at very competitive prices.

We have also made good progress with our digital plans. The backbone of this has been the development of a new IT platform which has been rolled out in B&Q and Castorama France in the past year. We are entering the final year of the IT platform roll-out.

With customers increasingly browsing and shopping across multiple platforms I'm also pleased that our ecommerce plans are developing well. Group digital sales have grown from 4% of total sales to 6% and although this still represents a relatively low base our digital plans should improve this further. A new Group mobile platform has been built and launched at B&Q, with one-hour Click & Collect now available in all B&Q stores. A new mobile app has also been launched at B&Q with faster speeds and an improved check-out facility. This is driving increased average transaction values. At Castorama France a new website was launched in January of this year. As with the B&Q site, it features better search functions, improved navigation and simpler check-out. Early reaction from customers has been positive.

Customers are also increasingly looking for ideas and inspiration online for their home improvement projects, so we have developed a new bathroom planning tool, with more digital services to come soon, supported by our Digital Hub in London.

The third transformational pillar is operational efficiency where we are targeting £100 million of savings by 2021. So far, we have delivered a cumulative total of £58 million of efficiencies, driven mainly by our Goods Not For Resale programme in areas such as security and media buying.

Our performance in the year reflected some disruption to our business as we cleared old ranges and introduced the new ones at the same time as rolling out a new IT platform. This significant level of change led to some stock availability problems which affected like-for-like sales by around 1.5%. However, we understand the causes of this disruption and are taking action to address them.

During the year we have also improved our governance processes with the appointment of a new Chief Transformation Officer, supported by transformation directors in each of our businesses. To better manage the roll-out of our new product ranges we have also smoothed the phasing of these launches to reduce the risk of disruption.

In France, the ONE Kingfisher plan is starting to re-energise our businesses there and address our under-performance. To make home improvement affordable for everyone, we have invested some of the buying gains from our unified offer process into better prices for customers. Our customer proposition has been further improved by launching some of the new ranges in France first, such as the new bathroom products. Around a third of our ranges in France have now been unified, with a positive reaction from customers.

We are integrating sustainability into everything we do at Kingfisher and in January 2018 we launched our new sustainability plan. This includes four customer-focused goals, with ambitious targets such as helping our customers cut energy and water use by 50% through the products and services we offer (see more on page 30).

It is important for me to talk about our people, as it is the dedication of the 78,000 colleagues who work across Kingfisher that is making our transformation possible. Our people are really starting to work as ONE, with new processes and ways of working, supported by new tools and training. During the year we launched our new Home Improvement Academy which is designed to help our store colleagues provide the best possible advice and service to our customers. We also launched a new real-time employee engagement platform involving all colleagues for the first time. Our engagement score this year was 78 out of 100 (see more on page 28).

When a business is undergoing major change it can be difficult for our teams, but they have again done a great job this year, and I would like to personally thank them for all their enthusiasm, engagement and commitment.

In the UK, the outlook remains uncertain with softer sales in Q4 across both our businesses. For consumers, the uncertainty surrounding the Brexit negotiations is an extra factor. In France, the backdrop is encouraging yet volatile, with better macro-economic data recently, though it is early days. In Poland, the market remains supportive, though stricter Sunday trading conditions came into force in March and may have some impact.

Next year will see another step up in the implementation of our plan but I remain confident in our ability to deliver the five year transformation and the benefits that it will bring to our customers, our colleagues and our shareholders.

Véronique Laury
Chief Executive Officer

our transformation

In January 2016 Kingfisher 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. The focus over the five years of the plan will be on three key pillars: creating a unified, unique and leading home improvement offer; driving our digital capability; and optimising our operational efficiency.

Overall, this five year transformation plan aims to deliver £500 million of sustainable annual profit uplift by Year 5, 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 macro-economic backdrop in our respective markets. Until we have unified our customer offer, we will have limited expansion. In addition, the total expected cash cost of the transformation is £800 million, with a capital return of £600 million over the first three years.

Business as usual | **Transformation**

(**Expansion** + **Market**) + **Unified & Unique Offer** + **Digital** + **Operational Efficiency** = **EBIT uplift**

£350m

We know that our customer needs are already more similar than different across all our markets.

Going forward, we will move to having a unified and unique offer. This will deliver significant benefits for our customers, such as newer products, higher quality and better sustainability, all at the best prices. There will also be significant benefits to the business, including higher sales and improved sourcing efficiencies.

Read more on page 22

£50m

This consists of two programmes:

- investing in our core ecommerce platforms by leveraging our Screwfix best-in-class capability ('Brilliant Basics'); and
- building capability to provide customers with digital services that will help them with more stages of their home improvement projects.

Read more on page 23

£100m

The biggest opportunity is in unifying around 90% of £1.2 billion goods not for resale (GNFR) spend. This will be achieved through a combination of cost savings and working in a simpler, more effective way.

Read more on page 24

£500m

Expected to generate £500 million of sustainable annual profit uplift by the end of Year 5, driving improved return on capital employed (ROCE).

For a review of what we have identified as the principal risks to delivering our strategy see pages 40 to 47

IMAGE REMOVED

our progress

The second year of our five year transformation plan has been another year of good progress. We have delivered the key strategic milestones for the second year. We are developing improved training programmes and engagement schemes for our colleagues. And this year we launched our new sustainability plan.

progress against our strategic milestones in year 2

We have delivered the key strategic milestones in the second year of our plan.

Unified and unique offer

Unify 20% of product (cost of goods sold (COGS))

Digital

Deliver Year 2 of 3 year unified IT platform roll out alongside better ecommerce

Operational efficiency

Deliver a further £20 million of benefits from unified GNFR programme

Unified, unique and leading offer

We are unifying our offer, with the same products available everywhere. This will deliver significant customer benefits, such as newer products, higher quality, better sustainability, lower prices and simpler ranges. It will also deliver significant business benefits, such as higher sales, fewer stock keeping units (SKUs), fewer suppliers, cost price reduction (CPR) and improved processes.

Unify 20% of product (cost of goods sold (COGS))

23% of product has now been unified (COGS), ending the year with an exit rate of 35%. We have significantly reduced the number of global suppliers and SKUs, by around 80% to date, but are still offering customers similar breadth of choice. We also launched our first unique ranges in Outdoor and Bathroom & Storage.

Sales of our unified and unique ranges are outperforming non-unified ranges despite transformation-related disruption during the year. Sales of unified and unique ranges excluding clearance, were up 1% compared to last year, with the second half growing by 3%. Including clearance, unified and unique sales were broadly flat compared to last year, slightly ahead of total group sales in constant currency, which were down 0.3%.

Growth in unique ranges, such as the new bathroom furniture and shower ranges, is ahead of unified ranges, however the mix of ranges implemented to date is weighted towards unified. For example, sales of unified and unique Bathroom & Storage increased by 11%, whereas total sales were broadly flat (excluding clearance). The bathroom ranges have sold well across all our four markets (e.g. France up 8%, Other International up 18%) reflecting positive feedback from both customers and colleagues.

Cost of change (including clearance) is in line with expectations and we remain confident in our target to deliver £350 million annual profit uplift by full year 2020/21, which broadly equates to a 5% reduction in cost of goods sold.

Gross margin for unified and unique ranges was up 180 basis points before clearance of old ranges.

Driving our digital capability

Implementation of a unified IT system is a key enabler of our ONE Kingfisher plan. It also provides a significant opportunity, with a seamless and stronger digital offer for our customers, to substantially increase sales and digital penetration. This is expected to generate £50 million annual profit uplift by the end of the 2020/21 financial year.

Deliver Year 2 of 3 year unified IT platform roll out alongside better ecommerce

This involves investing in our core ecommerce platforms, enabled by the new unified IT infrastructure, and leveraging our Screwfix best-in-class capability. This includes upweighted digital marketing, improved site search, new checkout and launching new mobile sites.

During the 2017/18 financial year, we implemented all Castorama France stores, with back office and supply chain to be completed in Q1 2018, meaning that by the end of 2017/18 over 50% of Group sales were operating on the new platform. We have also now started implementation at Brico Dépôt France and Castorama Poland.

Our ecommerce initiatives are gaining momentum. We have built a new group mobile platform and launched a new B&Q mobile app in September. The app has received very positive customer feedback and is delivering improved average transaction values. One-hour Click & Collect is now available in all B&Q stores. In France, we relaunched the new castorama.fr website in January with the new mobile app soon to follow. Total Group digital sales are now at 6%, up from 4% last year.

We have also launched the first of our digital home improvement services tools, including a bathroom planner tool, which is integrated into the B&Q website.

Launch of new unique ranges

The design of all our unique product ranges is based on five key principles: function, form, sustainability, quality and low prices. This year we launched new bathroom and hand tool ranges.

Imandra bathroom
We undertook in-depth research into how people use their bathrooms, visiting customers in their homes across Europe. We learnt that it is the smallest (4-7m^2) and busiest room in the house; storage is a problem – people typically have around 25 bottles of products; and it's a challenging project – around 40% of people give up. Using that research, we created the new Imandra range which includes the following features:

- Modular and adjustable, to work with any layout, however small
- Slim floor-to-ceiling cabinets to maximise all space, even behind doors
- 35cm deep drawers, deep enough for towels
- Shallow basins with recessed waste pipes, allowing space for an extra drawer
- Cabinets with mirrors inside and out
- 10-year guarantee

Magnusson hand tools
Magnusson was originally an own-brand range at Brico Dépôt France. We improved it, adding extra features that would make the range as attractive to the professional tradesperson as the home improver. This flagship range is now being launched across the business. Tough, durable and reliable, the range includes products with a host of new features, such as a tape measure with:

- Auto-stop extension with long stand out
- 19mm wide double-sided measure
- Durable nylon coating for longer life
- Magnetic end for one-handed measuring
- Smooth closing to avoid damage to hands and fingers
- Five-year guarantee

IMAGE REMOVED

IMAGE REMOVED

Driving our digital capability

Our Digital Hub opened in 2016 in central London and is working on driving forward Kingfisher's digital growth plans. Work is focusing on two areas:

Ecommerce
Our ecommerce plans follow closely behind the roll-out of our new unified IT platform, which was completed in B&Q UK and Castorama France last year and is on track to be implemented across the whole business in 2019. Key developments in the last 12 months include the launch of a new one-hour Click & Collect service at B&Q in August 2017. In addition, a new Group mobile platform was built and launched initially at B&Q in the UK. B&Q's new mobile app features rapid loading speeds of less than one second, making it one of the fastest apps around. The app has been delivering higher average transaction values. Engagement from customers and colleagues has also been excellent with a near 5* star rating on the App store so far.

In January 2018, the new Castorama France website was launched, featuring better search facilities, improved navigation and better check-out. A new mobile app for Castorama France will follow shortly.

IMAGE REMOVED

IMAGE REMOVED

Home improvement services
One of our key aims is to help our customers along all the steps of their home improvement project, including ideas and inspiration. A first step was the launch of the new bathroom planning tool at B&Q UK. This enables customers to create 3D designs of their bathroom. So far, over 60,000 planning sessions have been completed on the site. Further digital services will be launched later this year.

Optimising our operational efficiency

The main driver will come from unifying the c.£1 billion annual spend on GNFR. This programme is a combination of cost savings, and an opportunity to work in a simpler and more effective way across the business, and is expected to generate £100 million annual profit uplift by the end of 2020/21.

Deliver a further £20 million benefits from unified GNFR programme

In 2017/18 we delivered a further £28 million of benefits, exceeding our initial target for the year, taking the cumulative benefit to £58 million. This included categories such as media buying, where we have moved to a global supplier for the first time; standardising the way we operate (e.g. security); and several local retenders consolidating the number of suppliers.

Adapting our transformation approach as we progress

Given the significant increase in the level of transformation activity in 2017/18, we have continued to adapt our approach as our transformation progresses.

During the year we experienced some business disruption, principally reflecting product availability issues and the clearance of old ranges. We estimate a c.1.5% like-for-like impact during the year. Availability of unified and unique ranges has progressively improved.

The root causes of this disruption relate to the combined impact of:

- Clearing of old ranges and remerchandising of new ranges as we physically impacted 25% of our total store space this year
- Systems and data – the roll out of our unified IT platform remains on track, however the implementation process places pressure on some of the business functions
- New processes – transitioning to new ways of working takes time e.g. our new Offer & Supply Chain organisation went live in June 2016, working as ONE team, with unified global functions with new processes and accountabilities for the first time

We have acted on the root causes of business disruption and are adapting our approach as we progress. Given the increased level of change, we appointed Steve Willett as Chief Transformation Officer. We are also prioritising the multiple transformation workstreams with a new phased approach e.g. having reviewed the phasing of our plans to roll out our unified product ranges (COGS), we announced our decision at our half year results to smooth and de-risk the profile for 2018/19 and 2019/20, moving from 55% to 40% and from 80% to 65% respectively. The 90% target for 2020/21 remains unchanged.

our strategic milestones for year 3

Full year 2018/19 represents another year of significant implementation. The strategic milestones for 2018/19 are set out below.

Unified and unique offer

Deliver growth in unified & unique sales and gross margin

Unify 40% of product (COGS)

Digital

Complete final year of unified IT platform roll out to Operating Companies

Complete ecommerce roll out in France and Poland

Market launch of first home improvement services in the UK and France

Operational efficiency

Implement finance shared services in at least two Operating Companies

Deliver £30 million benefits (from unified GNFR programme and other efficiencies)

Retail operations

Maintain higher colleague engagement scores than retail sector

Summary

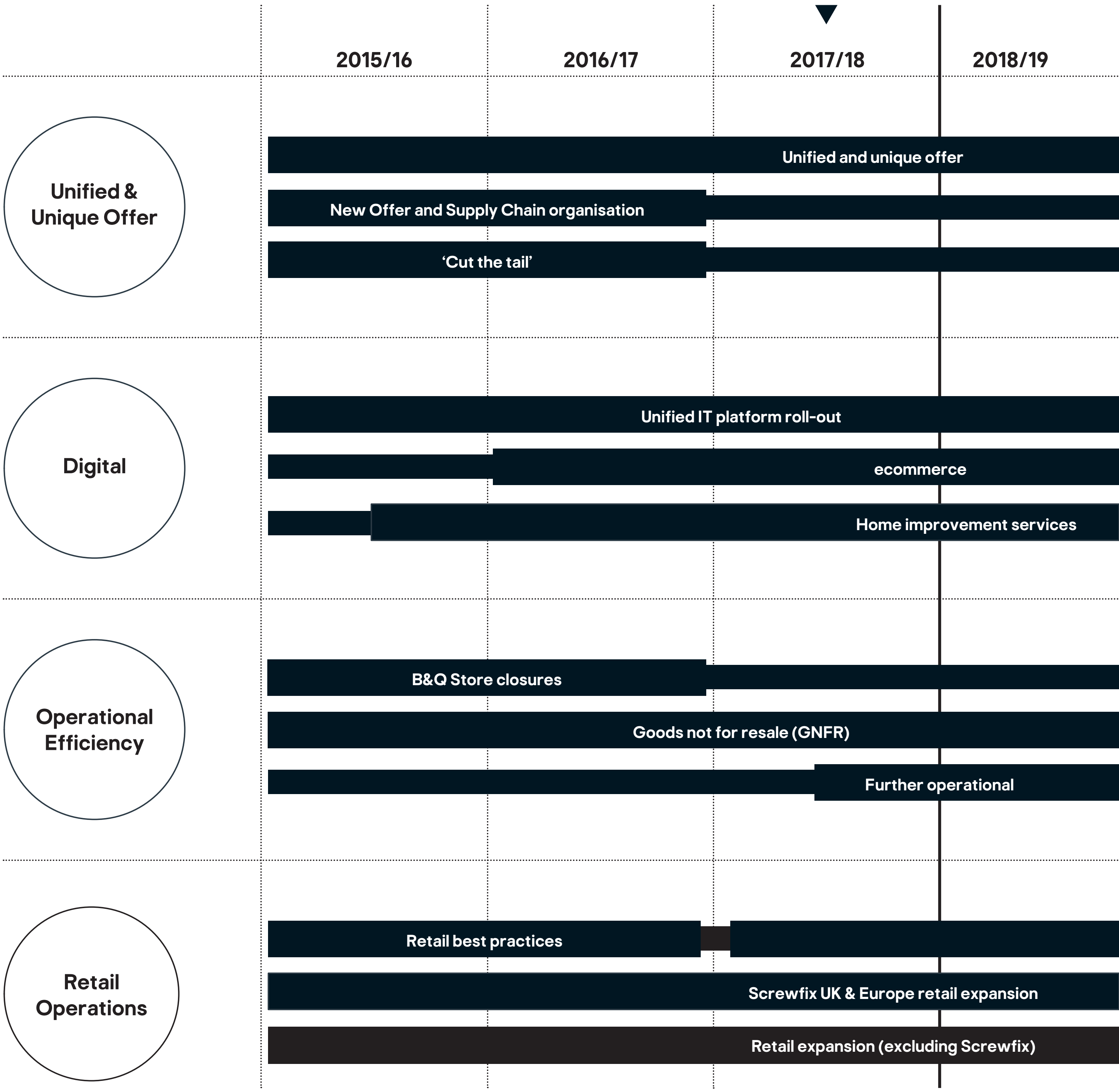
For the second year in a row we have achieved our key strategic milestones and our full year 2020/21 targets remain unchanged. However, we have experienced some business disruption reflecting the significant increase in transformation activity. We have acted on the root causes, continuing to have a flexible approach, adapting as necessary as our transformation progresses.

Full year 2018/19 represents another year of significant implementation hence we expect some ongoing business disruption. Negotiations are well progressed to unify 40% unified and unique product (COGS). We expect unique ranges will continue to drive sales growth and that as more cost price reduction (CPR) is delivered, we expect an uplift in Group gross margin including clearance. As we roll out our unified IT platform, we are also starting to unlock further efficiencies beyond goods not for resale (GNFR). During the year we established a shared services centre in Krakow, Poland. In full year 2018/19 the combination of GNFR savings and net savings from operational efficiencies are expected to be around £30 million.

We are building the ONE Kingfisher 'engine' to provide the platform for growth. As we are now entering the third year of our transformation, we are starting to develop plans to take that new engine, and combine it with the best of physical and digital. This will provide our customers with a great offer incorporating engaging experiences alongside ultimate convenience, and will involve not only leveraging our big box estate but also our Screwfix best in class convenience model.

Overall, we are aware of challenges ahead but remain confident in our ability to deliver the full year 2020/21 plan benefits.

a clear long-term roadmap



2017/18 key strategic milestones delivered	2018/19 strategic milestones
Unified 23% of product (COGS)	Deliver growth in unified & unique sales and gross margin Unify 40% of product (COGS)
Delivered Year 2 of 3 year unified IT platform roll-out alongside better ecommerce	Complete final year of unified IT platform roll-out to Operating Companies Complete ecommerce roll-out in France and Poland Market launch of first home improvement services in the UK and France
Delivered a further £28 million of benefits from unified GNFR programme	Implement finance shared services in at least two Operating Companies Deliver £30 million benefits (from unified GNFR programme and other efficiencies)
Opened 60 Screwfix outlets in the UK	Maintain higher colleague engagement scores than retail sector

people: realising our ambition

Our colleagues are of paramount importance to us as we work towards our ambition of becoming the leading home improvement company. In doing so, we aim to become a company of choice for future talent.

Just as we are unifying our product offering to customers, we are also unifying our people policies and processes. We are doing this to ensure equality and fairness, consistency and effectiveness across the board, and to achieve efficiencies where we know that working together makes more sense than working separately. In conjunction with a wide range of stakeholders, including colleagues from each country in which we operate, we are continuing to review and develop our reward policies and practices, to ensure that they are simple and transparent, and that our 78,000 colleagues are remunerated in a fair and meaningful way.

It is important that our colleagues feel valued, respected and recognised for what they do and how they do it, wherever they work in our company, and we all want to work in a place where we can be at our individual best and be ourselves. In the last year, we have paid particular attention to facilitating cultural change within our leadership teams.

Colleague experience
The nature of work is changing, with new expectations put on employers; people don't simply want a job, they want a great working experience.

To enable this for our store colleagues, we have been looking at how we give them the expertise to fully understand the needs of our customers and their home improvement projects. We have piloted the first initiative in this area – the Home Improvement Academy – which will provide relevant product training and project knowledge to help colleagues provide great service to our customers. The pilot session was launched in 2017, focusing on Bathroom ranges. Programmes for other product ranges will roll out in 2018, starting with Outdoor. In future, we hope to provide similar resources to customers both in-store and through our digital channels.

Colleague engagement
Each of our colleagues has a role to play in our transformation. Their views and how we act on them are vital in shaping what we do and how we do it. This year we introduced a new Colleague Experience Platform – a common approach to colleague feedback and measuring engagement that is open to everyone. Our engagement score this year was 78 out of 100 (above the retail industry benchmark of 66[1]). We now have the opportunity to further improve engagement, thanks to the honest, open feedback we have received.

Home Improvement Academy

IMAGE REMOVED

In September 2017, we brought colleagues together from all over Europe for the first Home Improvement Academy, focused on our new, unified Bathroom range. Colleagues participated in seminars, practical sessions, and situational role plays, both in person and through digital channels, to become range ambassadors and take information and ideas back to their stores.

"It's great to think about customers in this way – we have lots of different customers but ultimately they have the same fundamental needs!"

Customer Advisor, Brico Dépôt Spain

Colleague Experience Platform

IMAGE REMOVED

Using our new Colleague Experience Platform has given colleagues a simpler, more timely and relevant feedback mechanism to share their thoughts on life at Kingfisher. For managers and HR teams it has given a more immediate way of taking the pulse of life at Kingfisher and acting on that feedback.

"The platform gave me the confidence that not only are we are listening to our colleagues, but that we are proactively seeking ways in which to help them consistently be at their best".

Stephanie Sykes
Store Manager, B&Q

Diversity & inclusion
We value difference within our company and the benefits gained from it. We are committed to equal opportunities, diversity and inclusion in everything we do. We want to ensure we are able to attract and retain high calibre colleagues and ensure that decisions on appointments and advancement are free from bias and based on merit. We published our first gender pay report in February 2018 (see www.kingfisher.com/genderpayreport2017). We became members of the 30% Club, and are committed to its principles of better gender balance at all levels of companies.

We are also actively working to ensure succession plans reflect the international nature of our business. Further information on diversity across Kingfisher can be found on page 65.

Learning and development
We want our colleagues to learn and to grow with us, and we offer a range of programmes to support their career development. Some of the store-based programmes in 2017/18 included:

– B&Q's 'Rising Stars' programme leads to a Retail Team Leader Level 3 Apprenticeship (equivalent to 2 A-Levels). 277 colleagues took part during the year.
– Screwfix's '1st Steps' and 'Fast Track' to store management programmes are accredited with City & Guilds and the Institute of Leadership and Management Level 2, 3 & 4, with approximately 778 colleagues on the programmes last year.
– Castorama and Brico Dépôt France work in partnership with universities and business schools to recruit apprentices for store-based undergraduate and Master's degree placements. In 2017/18, 734 apprentices were recruited across both businesses.
– Brico Dépôt Iberia has two programmes aimed at manager and non-manager store colleagues, offering opportunities to be promoted when vacancies arise.
– Castorama Poland's 'Leaders' School' prepares colleagues for Store Director or Administration and Logistics Director roles. Its 'Captain's School' is aimed at preparing colleagues for Department Manager roles.

Antibribery and corruption
Kingfisher is fully committed to conducting its business with high ethical standards. The core component of the company's compliance programme is our Code of Conduct, which is applicable across all our Operating Companies and global functions and contains a clear position on bribery and corruption: the offering, paying, authorising, soliciting or accepting of bribes is unacceptable. Kingfisher has an external whistleblowing channel, available in all countries where the company operates, and which is communicated to our colleagues and suppliers. As part of our Governance Framework, the company also has antibribery and corruption policies and standards. The policies include a gifts and hospitality policy, a whistleblowing standard, and antibribery and corruption provisions, which are included in all relevant supply contracts.

Aligned with the company's continuous improvement commitment, and following the relevant provisions of the new French anticorruption law (Loi Sapin II) coming into force in 2017, we have been reviewing and strengthening its internal procedures to ensure adherence with all relevant antibribery and corruption laws. A new, comprehensive antibribery and corruption compliance action plan has been approved by Kingfisher's Group Executive and Board and is being implemented in 2018. It includes enhancement of the company's internal procedures to ensure consistency and increased transparency across the Operating Companies and global functions.

It is expected that by the end of the 2018/19 financial year, all fundamental elements of the Kingfisher Compliance Programme will have been reviewed and improved. This will include the implementation of new policies and procedures, including an enhanced ethical due diligence on third parties covering the relevant areas of exposure in terms of bribery and corruption.

1. In 2017/18, we changed our colleague feedback platform provider to Glint. The methodology and model used is different from that of the previous provider, so there is no year-on-year comparison available this year. The retail industry benchmark as set by Glint is based on their database of over 40 international retail companies.

becoming a truly sustainable company

We believe everybody should be able to have a home they feel good about, and this makes sustainability an integral part of our ONE Kingfisher transformation.

For many years we have been working to help customers create more sustainable homes. We have made strong progress but want to go further. Over the last two years we have spent time understanding our customers' views on sustainability. Our research showed that sustainability issues connect with what our customers really care about, but many people find making sustainable choices too complicated or time consuming. They want us to make it easy for them. We applied these insights to create our new sustainability plan, our roadmap to 2025.

Our plan has four big goals and 12 targets, which will help us further embed sustainability into our products and services. It will benefit our business too, stimulating growth and innovation, and engaging our colleagues.

Our plan sets out the next stage on our journey towards being a net positive business. One that improves life for customers, employees and communities and has a restorative impact on the environment (see the full plan at www.kingfisher.com/sustainability).

Our sustainability plan

IMAGE REMOVED

Our performance in 2017/18

Our sustainable home products help customers create good homes while having a positive or much lower impact on people and the environment. In 2017/18, these products made up 32% of our sales (28% in 2016/17). This contributed £3.8 billion of our revenues (£3.1 billion in 2016/17).

Progress towards our four big goals:

1: Save money by saving energy and water
We know saving energy and water is a key concern for households across Europe. By 2025, we will enable customers to achieve a 50% reduction in energy and water use in their homes through our energy and water saving products, services and advice.

New partnership with Shelter

IMAGE REMOVED

Kingfisher and B&Q have teamed up with Shelter, the UK's leading housing charity, in a new partnership to help people improve their homes and ultimately improve their lives. We're supporting Shelter's DIY Skills Advisers, who help recently rehoused people to improve their new homes. Shelter's clients are often in very difficult circumstances and may have been homeless or escaping domestic abuse. The DIY advisers assist with the practical aspects of home improvement, teaching their clients new skills and, in the process, boosting their confidence. Around 570 people have benefited from the service in the first nine months of our partnership.

In our business, we have cut our absolute carbon footprint by 16% since 2010/11 (10% in 2016/17). A breakdown of our carbon footprint is shown in the Directors' Report on page 95.

2: Live smarter by getting more from less, re-using or using longer
Our customers want quality products that are long-lasting, create less waste and are easy to recycle. We now have three product ranges or services that help customers and our business get more from less, reuse or use longer – our easyGrow and ProGrow garden products and our pallet reuse initiative. We aim for 20 such initiatives by 2025.

97% of wood and paper in our products is responsibly sourced (96% in 2016/17) and we're now applying the lessons learned from this work to other materials and product ranges.

3: Create a healthier home and connect with nature
There is great potential for homes and gardens to improve well-being. Our research shows a strong desire among customers to connect with nature and to create a healthy, toxin-free home. Yet people often do not know how to go about doing this.

In 2017/18, 6% (5% in 2016/17) of our sales came from our products that help customers create a healthy home or connect with nature. Examples of these include low volatile organic compounds (VOC) paint and pollinator-friendly plants. We are aiming for 20% by 2025.

4: Be part of a community that helps millions more people improve their home
For people in difficult circumstances – those living in poverty or who are isolated or vulnerable – having a good home can seem impossible. We want to improve homes for people in need through our charitable giving and volunteering and are developing major new partnerships at a company-wide and local level.

During 2017, we began by launching two strategic partnerships with the Red Cross in France, Poland and the UK, and with Shelter in the UK.

Our community investment was worth £2.4 million in 2017/18 (£1.8 million in 2016/17).

Human rights

We respect human rights and aim to positively promote and support the human rights of our colleagues, workers in our supply chain and others affected by our business activities. We updated our Human Rights Policy in 2017 and this sets out our commitment to regularly review human rights risks and to implement controls to mitigate risks. We have now set up a Modern Slavery Working Group, which meets three times a year, to oversee due diligence and disclosure on human rights and modern slavery. It has agreed an action plan for improving our due diligence, including internal training, supplier ethical risk assessment and audit.

Our key focus is on human rights issues in our supply chain. As we transform our business to become ONE Kingfisher, this enables us to build closer relationships with a smaller number of suppliers who share our values and ethical standards. We are rolling out a programme of ethical audits for high-risk production sites which supply us with finished goods. 1,178 production sites have had an ethical audit in the past two years. We are also involved in a number of initiatives promoting responsible sourcing in the wider supply chain, such as the Tropical Forest Trust (TFT) responsible stone programme. We are a member of a European DIY Retail Association (EDRA) working group, which aims to develop a collaborative approach to responsible sourcing within the home improvement sector.

For further details, see our Modern Slavery Act Transparency Statement (www.kingfisher.com/Modern-Slavery). This statement is updated annually in June.

Governance of sustainability and non-financial risks
Our Group Sustainability Committee (GSC) leads and oversees delivery of our sustainability strategy, monitors performance against our plans and targets, and reviews sustainability risks and opportunities. It is sponsored by our Chief Customer Officer. The GSC includes senior executives from our functions and operating companies, and meets at least twice a year.

We review our sustainability policies annually. All policies have been updated to align with our sustainable growth plan, and new policies introduced on animal welfare and deforestation (see www.kingfisher.com/SustainabilityPolicies).

More information will be available in our Sustainability Report, published in June 2018.

financial review

IMAGE REMOVED

Karen Witts
Chief Financial Officer

Total **sales** declined by 0.3% on a constant currency basis to £11.7 billion, with LFL sales down 0.7%. On a reported rate basis, which includes the impact of exchange rates, sales increased by 3.8%. During the year, sales growth benefited from 63 net new stores (excluding 26 Praktiker Romania stores that were acquired in November 2017), driven by 60 Screwfix outlet openings in the UK, offset by the annualisation impact of the completed B&Q store closure programme.

Gross margin was broadly flat as the benefits of CPR from unified and unique product were offset by clearance and some price investment.

Reported **retail profit** grew by 0.3% including £34 million of favourable foreign exchange movement on translating foreign currency results into sterling. In constant currencies retail profit declined by 3.6%, reflecting a decrease in profit in France, partly offset by an increase in profit in the UK and Poland and including £17 million of New Country Development losses. We continued to invest in the business and the transformation, we paid £231 million in cash dividends and repurchased a further £260 million of shares while maintaining a strong balance sheet.

Underlying pre-tax profit, which excludes the impact of transformation P&L costs, exceptional items and FFVR, increased by 1.3%, to £797 million, slightly ahead of reported retail profit growth.

Adjusted pre-tax profit, which excludes the impact of exceptional items and FFVR, decreased by 8.1% to £683 million, reflecting £114 million of transformation P&L costs.

Statutory pre-tax profit, which includes the impact of transformation costs, exceptional items and FFVR, declined by 10.1% to £682 million.

A summary of the reported financial results for the year ended 31 January 2018 is set out below:

	2017/18	2016/17	% Reported Change	% Constant Currency Change
Sales	**£11,655m**	£11,225m	+3.8%	(0.3)%
Gross margin	**36.9%**	37.2%	(30)bps	(20)bps
Retail profit	**£849m**	£847m	+0.3%	(3.6)%
Underlying pre-tax profit	**£797m**	£787m	+1.3%	
Transformation P&L costs[1]	**£(114)m**	£(44)m	n/a	
Adjusted pre-tax profit	**£683m**	£743m	(8.1)%	
Statutory pre-tax profit	**£682m**	£759m	(10.1)%	
Exceptional items (post-tax)[1]	**–**	£11m	n/a	
Effective tax rate	**30%**	26%	n/a	
Underlying basic earnings per share	**25.5p**	25.9p	(1.5)%	
Adjusted basic earnings per share	**21.8p**	24.4p	(10.7)%	
Basic earnings per share	**22.1p**	27.1p	(18.5)%	
Full year ordinary dividend	**10.8p**	10.4p	+4.0%	
Net cash	**£68m**	£641m		
Capital return – share buyback	**£260m**	£200m		

1. Kingfisher separately reports exceptional items and transformation costs in order to calculate adjusted and underlying results, as it believes these measures provide additional useful information on underlying performance and trends.

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

	2017/18 £m	2016/17 £m	Increase
Retail profit	**849**	847	+0.3%
Central costs	**(46)**	(48)	
Share of interest and tax of joint ventures & associates	**(4)**	(5)	
Finance costs before exceptional items & financing fair value remeasurements (FFVR)	**(2)**	(7)	
Underlying pre-tax profit	**797**	787	+1.3%
Transformation P&L costs	**(114)**	(44)	
Adjusted pre-tax profit	**683**	743	(8.1)%
FFVR	**(1)**	(1)	
Profit before exceptional items and tax	**682**	742	(8.1)%
Exceptional items before tax	**–**	17	
Statutory pre-tax profit	**682**	759	(10.1)%

Transformation P&L costs of £114 million principally relate to the unified and unique offer range implementation and the digital strategic pillar. Range implementation activities principally comprise remerchandising work associated with introducing the unified and unique offer and incremental in-store labour costs and point of sale change. Digital transformation costs represent the initial revenue expenditure of investing in our core ecommerce platforms and in developing wider digital services to support customers' home improvement projects.

Trading review by division

Note: all commentary below is in constant currencies

UK & Ireland

£m	2017/18	2016/17	% Reported Change	% Constant Currency Change	% LFL Change
Sales	**5,003**	4,979	+0.5%	+0.4%	+0.6%
Retail profit	**375**	358	+5.1%	+5.0%	

Kingfisher UK & Ireland sales were up 0.4% (+0.6% LFL) to £5,003 million reflecting the continued strong Screwfix performance and modest price inflation, offset by the impact of B&Q store closures last year and transformation business disruption. During Q4 however, our businesses experienced softer sales patterns (B&Q -5.1% LFL; Screwfix +7.1% LFL) reflecting softer demand for big ticket categories (e.g. kitchens). Gross margins were down 30 basis points and focus on cost control continued. Retail profit grew by 5.0% to £375 million.

B&Q total sales declined by 5.3% to £3,488 million reflecting annualisation of the completed store closure programme. LFL sales declined by 2.8% after a 0.7% benefit from sales transference associated with the store closures. LFL sales of seasonal products were down 2.8% while sales of non-seasonal products, including showroom, were also down 2.8%.

B&Q's Click & Collect is now available on over 33,000 products of which over 29,000 are available for one-hour Click & Collect. Total digital sales, including home delivery, continued to make good progress with sales growing by 11% and now representing 4% of total sales.

Screwfix total sales increased by 16.7% (+10.1% LFL) to £1,515 million driven by strong growth from the specialist trade desks exclusive to plumbers and electricians, strong digital growth (e.g. mobile +86%; Click & Collect +38%); and the continued roll out of new outlets. 60 net new outlets were opened, taking the total to 577. Our overall target is to have around 700 outlets in the UK.

France

£m	2017/18	2016/17	% Reported Change	% Constant Currency Change	% LFL Change
Sales	**4,387**	4,254	+3.1%	(3.0)%	(3.5)%
Retail profit	**320**	353	(9.5)%	(14.8)%	

Kingfisher France sales decreased by 3.0% (-3.5% LFL) to £4,387 million reflecting continuing weaker performance versus the market and the impact of transformation business disruption. According to Banque de France data, sales for the home improvement market were up 0.7%, however were volatile across the year.

Castorama total sales declined by 1.9% (-2.4% LFL) to £2,406 million. LFL sales of seasonal products were down 4.7% and sales of non-seasonal products, including showroom were down 2.0%. **Brico Dépôt** total sales declined by 4.2% (-4.8% LFL) to £1,981 million. Across the two businesses, two net new stores opened and one store was revamped, adding 1% new space.

By the end of the 2018/19 financial year, our ONE Kingfisher plan will have renewed our customer proposition as over half of France's offer will be unified and unique. During the 2017/18 year, we have seen good customer feedback to our first unique ranges e.g. unique bathroom furniture ranges sales up 50% helping to drive 8% growth (excluding clearance) of unified and unique sales for the total bathroom and storage category in France. Some of the CPR benefits are being reinvested in price, supporting our goal of making home improvement more affordable for customers. Customer price positioning has improved compared to last year. In addition, we remain on track to complete the roll out of the unified IT platform in Castorama France in 2018. In January 2018, Castorama relaunched its website which will be followed shortly by the new mobile platform.

Retail profit decreased by 14.8% to £320 million, reflecting the weaker sales, broadly flat gross margins after price investment (-10 basis points) partly offset by continued focus on cost control.

Other international

£m	2017/18	2016/17	% Reported Change	% Constant Currency Change	% LFL Change
Sales	**2,265**	1,992	+13.7%	+3.5%	+2.0%
Retail profit					
Other International (established)	**171**	152	+12.2%	+3.3%	
New Country Development	**(17)**	(16)	n/a	n/a	
Total	**154**	136	+13.1%	+3.9%	

Other International total sales increased by 3.5% (+2.0% LFL) to £2,265 million. Retail profit increased by 3.9% to £154 million driven by Poland.

During the year, in Poland one new store was opened and one was relocated, and in Russia one store was closed. In November 2017, Kingfisher acquired 26 Praktiker Romania stores.

Other International (established):
Sales in **Poland** were up 6.3% (+5.3% LFL) to £1,384 million benefiting from a supportive market and strong performance from new ranges. LFL sales of seasonal products were up 0.7% with sales of non-seasonal products, including showroom up 6.0%. Gross margins were slightly up (+10 basis points). Retail profit grew by 8.0% to £170 million reflecting the sales growth and slightly higher gross margins.

In **Russia** sales decreased by 3.7% (-5.8% LFL) to £391 million. The business incurred an £8 million retail loss (2016/17: £1 million reported retail profit) reflecting a challenging environment. In **Spain** sales decreased by 4.8% (-3.2% LFL) to £316 million delivering a £2 million retail profit (2016/17: £2 million reported retail profit). In **Turkey**, Kingfisher's 50% JV, Koçtaş, contributed retail profit of £7 million (2016/17: £5 million reported retail profit).

New Country Development:
New Country Development comprises our operations in Romania, Portugal and Germany. Sales were £174 million with a retail loss of £17 million (2016/17: £16 million reported retail loss). Romania delivered a £3 million retail profit (2016/17: reported break even result) and Screwfix Germany made an £18 million retail loss (2016/17: £14 million reported retail loss) largely reflecting the annualisation of stores opened in the previous year. Further roll out of Screwfix Germany is on hold this year pending completion of the unified IT platform roll out.

Exceptional items (post tax) resulted in a net nil impact (2016/17: £11 million gain) as transformation exceptional costs of £15 million were offset by other exceptional gains of £15 million as detailed below:

	2017/18 £m Gain/(charge)	2016/17 £m Gain/(charge)
Transformation exceptional costs	**(15)**	(5)
UK & Ireland and Europe restructuring	**12**	15
Brico Dépôt Romania impairment reversal	**2**	–
Profit on disposal of B&Q China	**–**	3
Property disposals	**1**	4
Exceptional items before tax	**–**	17
Exceptional tax items	**–**	(6)
Net exceptional items	**–**	11

Transformation exceptional costs of £15 million have been recorded in the year driven by people changes associated with restructuring in the UK and other costs relating to the Group's five year transformation plan. These include the move of transactional processing activity from the UK to a shared service centre in Poland.

UK & Ireland and Europe restructuring – as previously announced, the total store rationalisation programme was originally expected to give rise to an exceptional charge of around £350 million, relating principally to onerous lease provisions. This was to cover the closure of 65 B&Q stores, which is now complete, and the closure of around 10 European loss-making stores, which remains ongoing. In Q1 2016/17, B&Q entered into a lease liability transaction with a third party to dispose of any remaining leases, the success of which is expected to result in a lower total net exceptional charge of around £300 million, having so far recognised £278 million.

In 2017/18 UK & Ireland and Europe restructuring was a £12 million gain (2016/17: £15 million net gain) principally arising due to savings on B&Q store exit costs as compared with the original restructuring provisions recognised.

Underlying basic earnings per share decreased by 1.5% to 25.5p, which excludes the impact of transformation costs, exceptional items, FFVR and the effect of prior year tax items. **Adjusted basic earnings per share** decreased by 10.7% to 21.8p, which excludes the impact of exceptional items, FFVR and prior year tax items.

Basic earnings per share decreased by 18.5% to 22.1p as set out below:

	Earnings £m	2017/18 EPS pence	Earnings £m	2016/17 EPS pence
Underlying basic earnings per share	**558**	**25.5**	584	25.9
Transformation P&L costs (net of tax)	**(79)**	**(3.7)**	(33)	(1.5)
Adjusted basic earnings per share	**479**	**21.8**	551	24.4
Net exceptional items	**–**	**–**	11	0.6
Prior year tax items	**7**	**0.3**	49	2.2
FFVR (net of tax)	**(1)**	**–**	(1)	(0.1)
Basic earnings per share	**485**	**22.1**	610	27.1

During 2017/18, 82 million shares were returned to shareholders via share buyback, following a buyback of 58 million shares in the prior year.

Dividends and capital returns

The Board has proposed a final dividend of 7.49p which results in a full year dividend of 10.82p, an increase of 4% (2016/17: 10.4p). The full year dividend is covered 2.0 times by adjusted earnings (2016/17: 2.3 times). Excluding the impact of the £20 million corporate tax surcharge in France, which is not expected to recur, full year dividend cover is 2.1 times. We continue to be comfortable with medium term dividend cover in the range of 2.0 to 2.5 times based on adjusted basic earnings per share, a level the Board believes is consistent with the capital needs of the business.

The final dividend will be paid on 18 June 2018 to shareholders on the register at close of business on 4 May 2018. 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 3 May 2018. For those shareholders electing to receive the DRIP, the last date for receipt of election is 25 May 2018.

In January 2016, Kingfisher announced its intention to return around a further £600 million of surplus capital to shareholders during 2016/17 and the following two years. During 2017/18, £260 million (82 million shares) was returned to shareholders via share buyback in addition to the £200 million (58 million shares) share buyback in 2016/17 (cumulatively £460 million).

Taxation

Kingfisher's effective tax rate is sensitive to the blend of tax rates and profits in the Group's various jurisdictions. It is higher than the UK statutory rate because of the amount of Group profit that is earned in higher tax territories. The effective tax rate (ETR), calculated on profit before exceptional items, prior year tax adjustments and the impact of future rate changes, was 30% (2016/17: 26%). The ETR is higher than the prior year, mainly due to a one-off 30% French tax surcharge, legislated to apply retrospectively for Kingfisher France in December 2017. This had the effect of increasing the French tax rate by 10% for the current year, equivalent to c.£20 million. At a group level, this surcharge increased the ETR by c.3%.

The overall rate of tax includes the impact of exceptional items and prior year adjustments. The effect of such items reduced the rate from 30% to 29%. This predominately reflects enacted rate reductions in France, due to have progressive effect from 2019/20, which have resulted in deferred tax credits in the year, partially offset by a net increase in prior year provisions which reflect a reassessment of expected outcomes, agreed positions with tax authorities and items that have time expired.

Effective tax rate calculation	**Profit £m**	**Tax £m**	**2017/18 %**	Profit £m	Tax £m	2016/17 %
Profit before tax and exceptional items	**682**	**(204)**	**30**	742	(192)	26
Exceptional items	**–**	**–**		17	(6)	
Prior year items	**–**	**7**		–	49	
Total – overall	**682**	**(197)**	**29**	759	(149)	20

During the year, and following an assessment by the French Tax Authority, the Group entered into a bank guarantee for €49 million in respect of a contingent tax liability, which we believe is unlikely to materialise. The Group is also monitoring developments in relation to a European Commission state aid investigation opened in October 2017, which concerns the UK's controlled foreign company rules. Further details are provided in note 35 on page 152 of the consolidated financial statements.

There continues to be a global focus on international tax reform, and as Kingfisher operates in numerous jurisdictions, changes to tax rules in countries around the world, including the impact of changes from the European Commission's state aid investigations or the OECD's Base Erosion and Profit Shifting ('BEPS') project, could impact the Group's future effective tax rate.

In addition, the Group's overall rate of tax could be affected by changes to tax rates in the jurisdictions in which we operate, changes in the blend of where profits are earned, restructuring and reorganisation of our businesses and resolution of open issues with authorities.

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

Jurisdiction	**Statutory tax rate 2018/19**	Statutory tax rate 2017/18
UK	**19%**	19%
France	**34%**	44%
Poland	**19%**	19%

All earnings per share numbers include the adverse impact of a c.£20 million (0.9p per share) corporate tax surcharge in France, which is not expected to recur.

Tax contribution

Kingfisher makes a significant economic contribution to the countries in which it operates. In 2017/18 it contributed £2.0 billion in taxes it both pays and collects for these governments. The Group pays tax on its profits, its properties, in employing 78,000 people, in environmental levies, in customs duties and levies as well as other local taxes. The most significant taxes it collects for governments are the sales taxes charged to its customers on their purchases (VAT) and employee payroll-related taxes.

Taxes paid and collected together represent Kingfisher's total tax contribution which is shown below:

Total taxes paid as a result of Group operations	**2017/18 £bn**	2016/17* £bn
Taxes borne	**0.8**	0.8
Taxes collected	**1.2**	1.2
Total tax contribution	**2.0**	2.0

* 2016/17 comparatives 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 2017 survey ranked Kingfisher 30th (2016: 31st) for its Total Tax Contribution in the UK. In 2017, 100 (2016: 100) companies contributed to the survey.

Taxation governance and risk management

The Kingfisher Code of Conduct applies high standards of professionalism and integrity to employees and suppliers, including compliance with the law and operating ethically. These principles underpin our approach to tax governance and risk management, which is Board approved, and documented in the Kingfisher Tax Strategy. Our core tax objectives are to pay the right amount of tax at the right time and to comply with all relevant tax legislation in all Group entities. Kingfisher undertakes its activities, and pays tax in the countries in which it operates, in compliance with the local and worldwide tax rules. The responsibility for tax policy and management of tax risks lies with the Chief Financial Officer and the Group Tax & Treasury Director who engage regularly with the Board and the Audit Committee on all tax matters.

Tax risks can arise from changes in law, differences in interpretation of law and the failure to comply with the applicable rules and procedures. The Group seeks to take a balanced approach to tax risk having regard to the interests of all stakeholders including investors, customers, staff and the governments and communities in the countries in which it operates. The Group manages and controls this risk through local management, the tax specialists that it employs and agile monitoring of changes in law and interpretation of law. The Group may engage with reputable professional firms on areas of significant complexity, uncertainty or materiality, to support it in complying with its tax strategy. Group companies work within a tax controls framework, and compliance with this is monitored by the Internal Audit and Risk team.

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

Lease adjusted return on capital employed (ROCE)

Our key returns metric, lease adjusted ROCE declined by 210 basis points from 12.5% to 10.4% this year, reflecting our profit performance including the significant increase in transformation costs, the increase in the tax rate driven by a one-off tax surcharge in France and higher working capital. ROCE by geographic division is analysed below:

	Sales £bn	Proportion of Group sales	Capital Employed (CE) £bn	Proportion of Group CE %	**ROCE 2017/18**	ROCE 2016/17
UK & Ireland	5.0	43%	3.8	51%	**13.5%**	13.3%
France	4.4	38%	2.1	29%	**10.1%**	14.8%
Other International	2.3	19%	1.5	20%	**10.4%**	11.1%
Total	**11.7**		**7.4**		**10.4%**	**12.5%**

Free cash flow

A reconciliation of free cash flow is set out below:

	2017/18 £m	2016/17 £m
Operating profit	**685**	773
Exceptional items	**–**	(23)
Operating profit (before exceptional items)	**685**	750
Other non-cash items[1]	**285**	295
Change in working capital	**(372)**	17
Pensions and provisions	**(41)**	(46)
Operating cash flow	**557**	1,016
Net interest paid	**(1)**	(7)
Tax paid	**(182)**	(144)
Gross capital expenditure	**(368)**	(406)
Free cash flow	**6**	459
Ordinary dividends paid	**(231)**	(230)
Share buyback	**(260)**	(200)
Share purchase for employee incentive schemes	**(13)**	(6)
Acquisition of Praktiker Romania (including net debt acquired)	**(19)**	–
Disposal of B&Q China (net of disposal costs)	**–**	63
Disposal of assets and other[2]	**(68)**	(67)
Net cash flow	**(585)**	19
Opening net cash	**641**	546
Other movement including foreign exchange	**12**	76
Closing net cash	**68**	641

1. Other non-cash items include 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. Includes exceptional cash flow items (excluding property disposals), principally relating to B&Q closures.

Net cash at the end of the period was £68 million (2016/17: £641 million).

Operating profit after exceptional items was £88 million lower than last year reflecting higher transformation costs.

The working capital outflow of £372 million was driven by higher stock levels. This reflects growth in new stores; changes to our operating model (as we start to control more of our end to end supply chain); the impact of foreign exchange movements; new unified and unique ranges including first time buy quantities and; new non-unified mitigation stock aimed at improving product availability for customers as we implement our unified and unique ranges. Stock reduction plans are in place for 2018/19 to reduce this mitigation stock.

Gross capital expenditure for the year was £368 million (2016/17: £406 million). Of this around 30% was invested on refreshing and maintaining existing stores, 21% on new stores, 23% on IT, 18% on the transformation and 8% on other areas including supply chain investment.

This resulted in free cash flow of £6 million. £491 million was returned to shareholders in the form of the ordinary dividend and share buybacks, an increase of £61 million on last year.

On 1 August 2017, the Group signed an agreement to purchase 100% of the shares in Praktiker Romania S.A., a Romanian home improvement company. Following regulatory approval, the transaction completed on 30 November 2017 for net consideration (including net debt) of £19 million.

Management of balance sheet and liquidity risk and financing

The Group finished the year with £68 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 is 2.4 times as at 31 January 2018 (1.8x at 31 January 2017). 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:

	2017/18 £m	2016/17 £m
Retail Profit	**849**	847
Central costs	**(46)**	(48)
Transformation P&L costs	**(114)**	(44)
Depreciation and amortisation	**254**	253
EBITDA	**943**	1,008
Property operating lease rentals	**408**	399
EBITDAR	**1,351**	1,407
Net cash	**(68)**	(641)
Property operating lease rentals (8x)[1]	**3,264**	3,192
Lease adjusted net debt	**3,196**	2,551
Lease adjusted net debt to EBITDAR	**2.4**	1.8

1. 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 the economic and trading outlook into account, 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 medium term, determining the level of debt facilities required to fund the business, planning for repayments of debt at its maturity and identifying an appropriate amount of headroom to provide a reserve against unexpected outflows.

The Group has two committed facilities: £400 million that expires in November 2019 and £225 million that expires in March 2022. Both were undrawn at 31 January 2018. The next significant debt maturity is in May 2018 when the Group is required to repay US Private Placement debt with a notional value of $179 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

Pensions

At the year end, the Group had a net surplus of £99 million (2016/17: £131 million net surplus) in relation to defined benefit pension arrangements, of which a £214 million surplus (2016/17: £239 million surplus) was in relation to the UK scheme. The adverse movement is driven by actuarial losses on liabilities, due principally to a reduced discount rate used to measure the UK scheme liabilities. This accounting valuation is sensitive to various assumptions and market rates which are likely to fluctuate in the future.

During the year, the UK pension scheme purchased a second annuity for £209 million from a major insurance company. A similar transaction was undertaken in 2015/16 that targeted the top layer of the scheme's pensioner liabilities. The second annuity targeted the next layer of the scheme's pensioner liabilities removing the longevity risk associated with these members. Measured against the long-term funding objective that has been agreed between Kingfisher and the Trustee, the transaction generated a 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 2017 with the portfolio valued by external professional valuers. Based on this exercise, on a sale and leaseback basis with Kingfisher in occupancy, the value of property is £3.5 billion at year end (2016/17: £3.4 billion).

	2017/18 £bn	**2017/18 Yields**	2016/17 £bn	2016/17 Yields
France	**1.8**	**7.4%**	1.7	7.6%
UK	**0.8**	**6.1%**	0.8	5.9%
Poland	**0.6**	**7.7%**	0.6	7.7%
Other	**0.3**	**–**	0.3	–
Total	**3.5**		3.4	

This is compared to the net book value of £2.8 billion (2016/17: £2.7 billion) recorded in the financial statements. Balance sheet values were frozen at 1 February 2004 on the transition to IFRS.

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 is set out below:

	UK & Ireland	France	Poland
Retail Profit %	7.5%	7.3%	12.3%
Adjustment to Leasehold Basis	(0.9)%	(2.9)%	(3.2)%
Retail Profit % on Leasehold Basis	6.6%	4.4%	9.1%

Sustainability: Creating good homes for everyone

This year, we launched our sustainable growth plan which sets out the next stage on our journey towards being a net positive business. The plan is at the core of our ONE Kingfisher plan which is unifying the business behind one clear ambition and purpose: to create good homes by making home improvement accessible for everyone.

Grounded in our understanding of the customer, we have established four big goals which challenge our own operations and make it easier for customers to live more sustainably. The goals are: save money by saving water and energy; live smarter by getting more from less, re-using or using longer; create a healthier home and connect with nature; and be part of a community that helps millions more people improve their home.

This is the next stage of our journey towards being a truly sustainable business, starting with what customers care about; their families, their homes and their communities. www.kingfisher.com/sustainability

risks

Risk management

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

Our approach to risk management

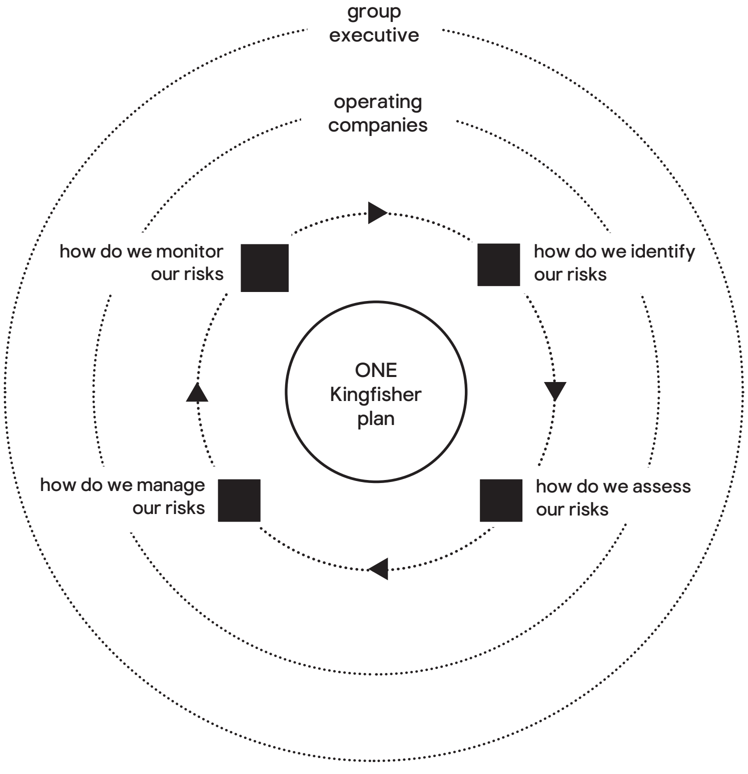
To **Identify Our Risks**, we start with our strategic pillars and consider what might stop us achieving our ONE Kingfisher plan. The process is therefore looking at the risks we face within our strategic planning period. The approach combines a top-down strategic company-level view and a bottom-up operational view of the risks at Operating Company and functional level. Meetings are held with our Operating Company leadership teams to identify the risks within their operations. To identify our principal risks, discussions are held with the Group Executive and non-executive directors. The information from the operational assessments is also considered to arrive at our principal risks. The table on page 41 shows how the principal risks link to the strategic pillars.

To **Assess Our Risks**, we consider the potential financial, reputational, regulatory or operational impact and the probability that the risk may materialise. This helps us to assess the level of control we need to put in place. For each of the principal risks, we have included an assessment of the change in risk from last year. This assessment is based on the external environment, the company's operations, and before considering the impact of the controls in place. We have considered whether the risk is increasing, decreasing or remains unchanged.

To **Manage Our Risks,** ownership is assigned at all levels. Each Operating Company leadership team owns and is responsible for managing its own risks, putting appropriate controls in place and procedures to ensure that the controls are operating effectively. The same process is followed for our principal risks.

To ensure we effectively **Monitor Our Risks**, the principal risks are reviewed by the Group Executive and Board twice a year. Changes to the principal risks and mitigation strategies are considered as part of this review. During the year, the Audit Committee reviews the risk assessment process and receives presentations from some of the Operating Companies. These presentations

Risk management process



Management

Group Executive
The Group Executive takes ownership of the principal risks. They are accountable for identifying, assessing and managing the principal risks, and for reviewing and assessing the Operating Company risks.

Operating Company Boards
The Operating Company boards are accountable for identifying, assessing and managing the risks within their Operating Company.

Governance

Board
The Board has overall responsibility for our risk management, and for the level of risk that the company is willing to take.

Audit Committee
The Audit Committee takes responsibility for overseeing the effectiveness of risk management and internal control systems, including reviewing the process the company has put in place to identify, assess and manage our risks.

include the risk assessment for the Operating Company enabling the Audit Committee to monitor the risks and level of control in place. Internal Audit also considers the risks at Operating Company and Group level when developing the internal audit plan.

The Corporate Governance report on page 54 gives further details about our governance processes.

This year's update

The principal risks have been reviewed this year in light of the progress made against our transformation plan. We have decided that the following risks are no longer principal risks. Each of these areas are still monitored and managed, however we do not believe they are principal risks for us.

- **We fail to manage the transformation of organising Kingfisher as a more unified company with a unified customer offer rather than a collection of individual businesses, impacting the delivery of the anticipated benefits and disrupting the underlying business.**

  This risk relates to our transformation and strategic pillars. The principal risks for 2018/19 cover each of our strategic pillars and this risk is reflected in those risks.
- **Our investments fail to deliver value to the company**.

  As the key investment in the Company relates to our transformation we believe that this risk is also covered in our other principal risks
- **We fail to identify and maximise potential cost reductions and efficiency savings.**

  A plan is in place to deliver the savings and is delivering against targets to date, therefore we do not think this is a principal risk.
- **We fail to deliver our sustainability targets due to not integrating our sustainability plan into the day to day operations of the business**.

  Sustainability remains an important area for the Group and is now integrated into the operations and therefore we do not think this is one of our principal risks.
- **We fail to maintain a safe environment for our customers and store colleagues which results in a major incident or fatality that is directly attributable to a failure in our Health & Safety management systems**.

  Health & Safety is a very important area to the company and is managed and monitored in each of our operations. This area does by its nature present some risk to the business, but we no longer consider it a principal risk.

We have added two new principal risks relating to the EU referendum outcome and cyber and data security. Both these areas have been considered in previous years by the Group Executive and Board as potential principal risks. This year, we think the risk has increased and therefore included both areas in our principal risks. Further details are included on pages 42 to 47.

Strategic pillars

How our risks map against our strategic pillars

		Unified & Unique Offer	Digital	Operational Efficiency	Retail Operations
1.	Technology delivery		●		
2.	Unifying our offer and processes	●			
3.	Channel development	●	●		●
4.	Macro-economic factors				●
5.	EU referendum				●
6.	Investing in our people	●	●	●	●
7.	Price competitiveness	●			
8.	Legal and regulatory	●	●		●
9.	Cyber and data security		●		●

Our principal risks

The principal risks to delivering our strategy are set out on the following pages.

	Principal risk	Strategic pillar		How our risks have changed
1	**Technology delivery** Technology is key to enabling our strategy, meeting customer needs and growing the business. Our Unified IT platform is designed to deliver our requirements in line with the plan to support the strategy. Failure to do this may impact the anticipated benefits and disrupt the underlying business.	D	◀▶	The implementation is complete at B&Q and is nearing completion at Castorama France. The roll-out is commencing in the remainder of our Operating Companies. The risk is increased for us as more of the estate is exposed to the implementation. However this is balanced by the lessons learnt to date and the opportunity to see the systems running day to day and helping us identify any additional capacity or actions required.
2	**Unifying our offer and processes** We aim to offer customers a product range which is differentiated from that of our competitors through innovation and exclusivity. We are unifying our offer and standardising our activities and processes. This is a large and complex project, therefore there is a risk of not delivering the projected benefits.	U	▲	There are plans in place for the range changes and the process is better understood following the implementations from last year, however as this project progresses the level of ranges impacted continues to increase and our risk exposure increases.
3	**Channel development** As consumer preferences continue to change we must ensure we create a culture of innovation in our offer, format and digital channels that keeps pace with changing consumer behaviours and our competitors, to be able to stimulate spend and deliver the desired sales growth.	U D R	◀▶	Failing to keep pace within the digital area is a risk for us. However, we have continued to make good progress this year to ensure we are better positioned to fulfil our digital ambitions.

Key:

▲ Increasing ◀▶ No change ▼ Decreasing

U Unified & Unique Offer D Digital O Operational Efficiency R Retail Operations

How we manage and monitor the risk

- Change control procedure in place with the leadership team having final approval on all functional changes.
- The roll-out plan avoids a 'big bang' implementation approach. Instead gradual increments are implemented over a short period, ensuring that dual running is kept to a minimum and allowing any issues to be identified and resolved before moving on.
- Process in place to establish learning points and to ensure these are built into future roll outs.
- 'Agile' ways of working are already in place and are currently being enhanced to support the appropriate areas.
- Existing partners have skills that can support our needs in this area.
- Retaining knowledge by ensuring the colleagues who established the template are involved in the programme through the central team or via the local roll-out.
- Applications are being provided in accordance with our proposed three-tier architecture, which provides flexibility to areas where innovative ideas are most likely, tools are typically agnostic and therefore can be interchanged in the event this is required.
- Digital IT team is integrated within the overall IT function with common release management and operations in place.
- Transformation team and Operating Company transformation directors in place to deliver the transformational change.

- Teams with specialised roles to develop and take the best practice and the best products from across the company.
- Strong project management process in place, including capturing lessons learned for continuous improvement.
- Monthly tracking and review by the Offer & Supply Chain board to identify and respond to potential risks.
- Validation and governance processes in place for business case approvals of range and procurement decisions.
- 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.
- A strong sourcing network which is focused on securing company buying opportunities.
- Vendor management process in place which includes vendor selection, risk assessments, monitoring of vendor responses, and communication.
- Systems and data improvements have been identified and are part of the unified IT platform implementation.

- A Group digital strategy has been developed and a prioritised delivery roadmap is underway across the local markets.
- Digital priorities programmes underway, Brilliant Basics and Home Improvement Platform.
- A monthly Digital Governance forum is in place to monitor financial and project portfolio performance and to prioritise upcoming digital initiatives, ensuring we deliver the greatest benefits/features to customers through our digital channels across our Brilliant Basics and Home Improvement Platform developments.
- Group mobile platform built and launched in B&Q; this will extend to desktop during 2018 to improve diy.com customers' experience further. A roll-out plan has also been developed for our other local markets in line with Easier and Group Transformation timelines.
- Plans in place for a digital centre of excellence and digital delivery, roles, skills and knowledge have been defined. Resource recruitment underway. The ways of working are also being reviewed across all digital functions.
- Unified IT programme continues to be rolled out across the Group to provide the systems and capabilities required to deliver the foundations for the digital strategy.
- Click & Collect now live in B&Q stores to join up digital and offline journeys. This will be rolled group wide with the unified IT platform.
- Group Concept Director appointed.
- Retail concepts and common and unique customer experience being developed.
- Starting to develop plans combining the best of store format and digital.

Principal risk	Strategic pillar	How our risks have changed
Macro-economic factors With continuing geopolitical uncertainty and market volatility across all the economies in which we operate, we are exposed to potential risks which may impact both consumer confidence and the long-term sustainability and capabilities of our supplier base.	R	There are still a number of uncertainties relating to the economy and heightened geopolitical tensions in some of our markets.
EU referendum Following the decision to leave the EU we have seen increased economic uncertainty, exchange rate volatility and an impact on consumer confidence in the UK market. This is likely to continue until EU exit negotiations are complete. These negotiations may result in further changes to regulation and operational frameworks which may impact our ability to operate across our European businesses as we do today.	R	This risk has increased due to the continuing uncertainty as to the operational implications of the decision to leave the EU and the impact on trading performance from impacts on the economy in our key markets. We have therefore decided to specifically include this within our principal risks.
Investing in our people Our colleagues are critical to the successful delivery of our strategy and business. We must make the necessary investment in our people to ensure that we have the appropriate capacity, skills and experience.	U D O R	We continue to monitor and manage this risk closely. While the risk exposure is significant we have a clear understanding of the scale of the change and plans in place to deliver the model.

Key:

▲ Increasing ◀▶ No change ▼ Decreasing

U Unified & Unique Offer D Digital O Operational Efficiency R Retail Operations

How we manage and monitor the risk

- The provision of supply chain finance programmes to support suppliers.
- 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.
- Offer and pricing strategies designed to address consumer confidence.
- Government Affairs team actively monitors the political and economic situations in the countries in which we operate or may impact our operations.
- Strategies in place to identify, monitor and aim to influence changes to legislation which may impact the business.
- The Government Affairs team oversees direct policy and political engagement with dedicated resource in the UK, France, Belgium, Poland and Russia, supported by local representatives in our Operating Companies and our membership of key business trade associations in every market.

- A Brexit Steering Group has been in place since the 2016 referendum.
- Actively monitoring the Brexit process via the Government Affairs team, Treasury, Finance and Tax, People and IT teams alongside UK and French Operating Companies.
- Work is underway to consider the implications of Brexit, considering different scenarios and preparing mitigation plans.
- As the situation becomes clearer and the mechanics of an exit are known, more detailed plans will be prepared.
- Updates are planned for the Board as part of the forward plan of work for the year.

- The Chief People Officer is leading the work to improve our capabilities, ensuring we have effective KPIs and relevant reward structures.
- Work is underway to redesign, where required, HR processes, policies and guidelines to ensure they are fit for purpose and in line with our ambition. Initial focus will be on recruitment, reward, talent and engagement.
- Remuneration Committee oversees the reward policy.
- New engagement tool introduced to ensure we have an appropriate and timely engagement methodology which enables us to check across all staff our ability to drive the changes we need whilst being able to respond to any insights which may impact upon our duty of care as an employer.
- Creating a strong pipeline of developing talent through structured programmes including graduate and high potential schemes for the development of senior leaders.
- Nomination Committee oversees the Board composition and succession planning.
- Continue to invest in development activities for our store-based colleagues and in how we support and recognise the role of our customer advisors across the organisation.
- Home Improvement and Range Academies developed to build capability and inform colleagues on the new ways of working and product ranges.

Principal risk	Strategic pillar	How our risks have changed
Price competitiveness We continue to face a broad range of competitors across our markets. A lack of actual or perceived price competitiveness, particularly when compared to more discount based or online competitors, would affect our ability to maintain market share or result in a loss of market share	U	We have taken further steps this year to monitor and manage this risk and therefore believe the risk level is unchanged.
Legal and regulatory The Group's operations are subject to a broad range of regulatory requirements in the countries in which it operates. A major corporate issue or crisis, a significant corporate fraud or material non-compliance with legislative or regulatory requirements would impact Kingfisher's brand and reputation.	R U D	Regulatory requirements are increasing in many areas and therefore we see this as an area of increasing risk for us.
Cyber and data security Cyber attacks and security incidents have increased in recent years and the retail sector is now a target. There have been a number of high profile attacks in the sector in recent times that have had an impact on operations, profitability and reputation.	D R	This risk has been monitored by the Group Executive and Audit Committee for the last few years, however this year we have decided to add this area to our principal risks as we believe the risk of this type of incident is increasing.

Key:

▲ Increasing ◀▶ No change ▼ Decreasing

U Unified & Unique Offer D Digital O Operational Efficiency R Retail Operations

How we manage and monitor the risk

- A group pricing strategy is in place. The Offer & Supply Chain and trading functions set recommended prices on all unified ranges, securing the best selling price whilst optimising margin.
- Regular pricing studies undertaken with regards to the market and price positioning aligned with competition.
- Investment in pricing to reinforce and communicate our value credentials.
- Developing improved customer insight and analytical tools to optimise product ranging and pricing strategies.
- More targeted use of online and mass media tools to communicate and reinforce price perception.
- Role of Director of Pricing created, responsibilities include overseeing the pricing strategy for the Group.

- 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.
- Appropriate resources are available to our Operating Companies to ensure that both colleagues and suppliers are aware of, and comply with, the Code.
- Legal teams in Group and each of our Operating Companies work and communicate together to form a legal compliance network.
- Communications teams at Kingfisher and each of our Operating Companies work together to form a communications network.
- A Crisis Communications team is in place to manage major incidents.
- Policies and procedures in place to support the health & safety, environmental, ethical, fraud, crisis management, legislative and regulatory areas.
- Anti-bribery training in place and all key individuals must complete this training.
- Whistleblowing hotline throughout the Group and all calls are followed up, including monitoring at the local Audit Committee level.
- Market Abuse Regulations policy and training in place.

Cyber Security
- Cyber security continues to receive Executive level sponsorship and Group Audit Committee focus.
- Dedicated IT Governance boards are established to monitor this evolving risk and the associated mitigating controls.
- Independent reviews are performed of the Cyber security processes and initiatives on an annual basis.
- We have reviewed the threats facing Kingfisher and have been working with partners and security specialists to implement tools and processes to identify and remediate vulnerabilities.
- We have a clear roadmap for 2018 to further enhance our threat intelligence and incident responses to meet the challenges of the continually changing cyber environment.

Data Protection
- We have data protection and management policies in place.
- Steps are being taken to enhance data protection in light of the General Data Protection Regulation (GDPR) being introduced in May 2018.
- IT solutions and appropriate training regarding data protection and management.

viability statement

In accordance with provision C2.2 of the 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 assessment period
The Board has concluded that the period for this review should be three years. This is in line with the usual business planning period and the period over which we assess the principal risks.

How we assess the Group's prospects
The Board has continued to monitor progress against the strategic review this year and has therefore been able to review sufficient information to form a reasonable expectation as to the company's longer-term viability. The 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 has been approved for the latest financial budgets and KPIs that are subsequently used by the Board to monitor performance during the year.

Assessment of viability
In addition to the assessment above, 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 40 to 47. Scenarios have been developed to test the company's resilience to the occurrence of these risks. The scenarios relate to the macroeconomic environment and the strategy. With a Group of our size and diversity there are several scenarios which could be explored. We selected those which would enable the Board to make a reasonable assessment of the viability.

For the strategic areas, we have considered viability in terms of project delivery: Unified & Unique, Digital and Unified IT platforms have been considered as these projects have highest potential impact on our viability. We have also modelled clusters of scenarios to test the viability. One for the macroeconomic scenarios and two looking at the interdependencies of the project scenarios. Stress testing has also been performed and taken into consideration for the assessment.

The scenarios were developed to test the viability of the Group however there are control measures in place to help prevent and mitigate the risks materialising. We also have options available to the Group to maintain liquidity, including reducing non-essential capital expenditure and withholding dividends. Therefore we believe we have sufficient capacity to maintain the viability of the Group should any of these scenarios materialise.

Viability statement
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 three-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, we 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 pages 30 to 37.

Strategic report approval
The strategic report is approved for and on behalf of the Board by:

Véronique Laury
Chief Executive Officer
20 March 2018

group executive

IMAGE REMOVED

Arja Taaveniku
Chief Offer & Supply Chain Officer

Véronique Laury
Chief Executive Officer

Pierre Woreczek
Chief Customer Officer

Alastair Robertson
Chief People Officer

Steve Willett
Chief Transformation Officer

Karen Witts
Chief Financial Officer

board of directors

IMAGE REMOVED

Anders Dahlvig
Non-executive Director

Mark Seligman
Senior Independent Director

Clare Chapman
Non-executive Director

Pascal Cagni
Non-executive Director

Andy Cosslett
Chairman

IMAGE REMOVED

Rakhi Goss-Custard
Non-executive Director

Andrew Bonfield
Non-executive Director

Véronique Laury
Chief Executive Officer

Karen Witts
Chief Financial Officer

ONE Kingfisher

Andy Cosslett R N
Chairman, Chairman of the Nomination Committee

Appointed to the Board effective 1 April 2017 before being appointed Chairman on 13 June 2017.

Expertise and experience: Andy Cosslett's early career was with Unilever in a variety of branding and marketing roles. He then spent 14 years at Cadbury Schweppes in senior, international roles before becoming CEO for InterContinental Hotels Group (IHG). Andy was at IHG for six years, creating value by leveraging the power of its brands alongside executing a programme of significant transformational and cultural change. He served as CEO for Fitness First from 2012 to 2015, where he was again instrumental in successfully repositioning the business and brand.

Other directorships: Andy joined the board of the Rugby Football Union (RFU) in April 2012 and served as Chairman of the organising committee of the 2015 Rugby World Cup. He was appointed Chairman of the RFU in October 2016.

Andrew Bonfield A R N
Non-executive Director, Chairman of the Audit Committee

Appointed to the Board in February 2010 and will be stepping down with effect from 12 June 2018.

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. He was 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.

Other directorships: Andrew is Finance Director of National Grid plc. He is Chairman of the Hundred Group of Finance Directors.

Pascal Cagni N
Non-executive Director

Appointed to the Board in November 2010.

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, was an independent member of the supervisory board of Vivendi SA and served on the board of Style.com. He actively conducts strategy, consulting and venture capital activities through c4v.com.

Other directorships: Pascal is a member of the board of directors of Banque Transatlantique, and was appointed as Chairman of Business France in August 2017.

Clare Chapman R N
Non-executive Director, Chairman of the Remuneration Committee

Appointed to the Board in December 2010.

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.

Other directorships: Clare joined the Board of Heidrick & Struggles International, Inc. in early 2016 and was subsequently also appointed as the Remuneration Committee Chair, and became a non-executive director and the Chair of the Remuneration Committee of The Weir Group plc on 1 August 2017. Clare also serves as a Commissioner on the Low Pay Commission.

Anders Dahlvig
Non-executive Director

A N

Appointed to the Board in December 2009.

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.

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 Chairman of the board of Inter Ikea Holding BV.

Rakhi Goss-Custard
Non-executive Director

A R N

Appointed to the Board in February 2016.

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.

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

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 more than 25 years in France and in the UK. She joined Kingfisher in 2003, after spending 15 years at Leroy Merlin in various commercial roles, and in her 15 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 became Chief Executive Officer on 8 December 2014.

Mark Seligman
Senior Independent Director

A R N

Appointed to the Board in January 2012.

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.

Other directorships: Mark serves as an alternate member of the Panel on Takeovers and Mergers. He joined Smiths Group plc as an independent non-executive director in May 2016. Mark became a non-executive director of The Royal Bank of Scotland plc in April 2017 and became the Senior Independent Director in January 2018.

Karen Witts
Chief Financial Officer

Appointed to the Board in October 2012.

Expertise and experience: Karen is a seasoned Chief Financial Officer and chartered accountant with a strong background in finance and management across a variety of sectors. Prior to joining Kingfisher, she served as Chief Financial Officer, Africa, Middle East, Asia and Asia Pacific for Vodafone Group plc and before that spent 11 years in Finance Director and General Management roles at BT. Karen has also worked in companies including Diageo and Mars. She provides significant current relevant finance expertise to the Board.

Other directorships: Karen is a non-executive director of Imperial Brands plc, and Chairman of its Audit Committee.

A – Audit Committee
R – Remuneration Committee
N – Nomination Committee

Chairman's introduction

We are absolutely committed to maintaining the highest standards of corporate governance at Kingfisher for the benefit of all of our stakeholders.

IMAGE REMOVED

Dear shareholders,

I am pleased to present our Corporate Governance Report for the year ended 31 January 2018, on behalf of the Board.

The Board and I are absolutely committed to maintaining the highest standards of corporate governance across the business for the benefit of all our stakeholders. I firmly believe that strong corporate governance remains a critical component to the successful delivery of our long-term strategy.

Over the past two years, the primary focus of the Board has been the delivery of our transformation plan. Whilst vital at all times, strong and effective governance is especially critical to managing the volume of change, and the delivery against our commitments, during our ONE Kingfisher strategy.

Given the significance of our Transformation Plan to our business, Steve Willett (Chief Transformation Officer) was invited to attend all Board meetings, and his attendance provides me and my fellow directors with valuable insight into the successes and challenges encountered through the execution of our strategy. During the year, we also adopted a new Delegation of Authority matrix, which aligns with Kingfisher's operating structure. This is also a key component of our governance arrangements at the Company.

As part of its annual cycle of business, the Board conducted an effectiveness review to consider the performance of the Board, each of the Directors, and the Board's principal committees. This review concluded that the Board continued to operate effectively, although a few areas of improvement were identified, for which an action plan has been created. Further details of this review are set out on page 58, where you can also find an update on progress against the previous year's actions.

Shareholders clearly have an important role in supporting companies to achieve their ambitions, and in supporting good corporate governance. Board refreshment and succession planning, two areas of increasing investor focus, continue to be a key focus for the Board. Further details of our succession planning, including progress on non-executive director recruitment, is set out in our Nomination Committee report on page 61.

We took the decision to cease payment of dividends by cheque, and shareholders will instead receive cash dividends directly to their nominated bank account – improving security and ensuring that dividends are received in a timely manner. This initiative aligns with our digital ambitions, and reduces our paper consumption, and therefore impact on the environment. We communicated this change to shareholders through our November 2017 dividend mailing, and we will cease using cheques from the interim dividend in November 2018 onwards.

Looking forward, the Board and I welcome the intent behind the FRC's proposed changes to the UK Corporate Governance Code, and we look forward to the publication of the new Code with interest. The proposed Code places an explicit requirement on us as Directors, and as a Board, to consider the views of our stakeholders and the impact of our activities on wider society. We welcome these proposals, which align with our focus on colleagues and customers, who are central to our ONE Kingfisher plan.

I look forward to continuing to evolve our governance arrangements during 2018/19 and in the years ahead.

Andy Cosslett
Chairman
20 March 2018

Key activities for the year

Strategy and Transformation

- Monitored delivery of the ONE Kingfisher plan.
- Approved business developments relating to the unified offer implementation, integration of the supply chain, and investments in Unified ranges.
- Oversaw investment in digital technologies.
- Reviewed the next stage of Kingfisher's strategic development (see below).
- Completed the acquisition of Praktiker in Romania.

Finance and Risk

- Received monthly financial performance dashboard, and reviewed financial performance at every meeting, with regular review of financing and liquidity requirements.
- Appraised the principal risks, mitigations and risk appetite.
- Approved the Three Year Plan and Budget.
- Recommended the Tax Strategy Statement for publication.
- Considered data protection and cyber security.

Operations

- Received and challenged performance updates from the CEO.
- Visited Operating Companies in Poland and the UK and toured new format stores.
- Conducted a review of performance in Castorama and Brico Dépôt France.
- Visited the Unified Product Show in Farnborough to view new product ranges and innovations.

Governance, People and Other

- Considered senior management succession planning and performance.
- Reviewed anti-bribery and corruption governance and compliance with the UK Bribery Act and the recently implemented French Loi Sapin II.
- Approved the Modern Slavery Statement for publication.
- Revised the Delegation of Authorities for implementation throughout Kingfisher.

Governance in Action – Strategy Review

The two-day November 2017 Board meeting was dedicated to a review of strategic objectives. The session involved the Board and senior management considering topics which included:

- The competitive environment in all our global markets.
- Key digital and store concept trends and customer experience expectations.
- Feedback from customers on their purchasing journey, their experiences and their priorities.
- Colleague engagement, including how colleagues are considered as ONE Kingfisher's ways of working develop.
- An update on the financial impact of the strategic plan.

Matters Reserved

The schedule of matters reserved for the Board includes consideration and approval of:

- The company's overall strategy, medium-term plans and annual budgets.
- Financial statements and company's dividend policy, including the 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 and practices.

The full schedule of matters reserved for the Board is available on the company's website.

Board Focus for 2018/19

- Further development of strategy, including supply chain strategy, store formats, and the ONE Kingfisher strategic model.
- Overseeing the transformation delivery.
- Analysing and challenging on financial performance.
- Reviewing the digital innovations.
- Examining the potential impacts of Brexit.
- Operating Company visits, including Screwfix and our Romanian business.

Compliance with the UK Corporate Governance Code

The notes below outline how the company has applied the Principles of the 2016 UK Corporate Governance Code (the Code) for the year ended 31 January 2018. Additional information is available in the Board Governance Statement published on kingfisher.com.

The Board considers that the company has complied with the Provisions of the Code for the whole year ending 31 January 2018, except with regards to Provision D.1.1 in relation to grants under long-term incentive schemes.

A copy of the Code is available on the Financial Reporting Council's website: www.frc.org.uk.

A Leadership

A.1 The Board's Role
The Board's role in leading the company is outlined in the Board Governance Statement on kingfisher.com. The formal schedule of matters reserved to the Board is summarised on page 55 and available on our website.

A.2 Division of Responsibilities
The roles of Chairman and Chief Executive Officer are separate and clearly defined.

A.3 Role of the Chairman
The Chairman leads the Board, ensures its effectiveness and promotes an inspirational culture.

The Chairman, Andy Cosslett, was independent at appointment.

A.4 Role of the Non-executive Directors
The Board has a Senior Independent Director (SID), Mark Seligman, who may be contacted by shareholders and other directors as required.

Meetings are held between the non-executive directors in the absence of the executive directors, and in the absence of the Chairman.

More information on the responsibilities of the Chairman, CEO and SID can be found in the Board Governance Statement on kingfisher.com.

B Effectiveness

B.1 The Board's Composition
The balance of skills, experience, independence, and knowledge on the Board is the responsibility of the Nomination Committee and is reviewed annually and whenever new appointments are considered.

The majority of the Board are independent non-executive directors, as shown in the composition chart on page 62.

B.2 Board Appointments
The appointment of new directors to the Board is led by the Nomination Committee, who then make recommendations to the Board.

More detail about succession planning and the appointment process can be found in the Committee's Report on page 62.

B.3 Time Commitments
The time commitments of non-executive directors are considered by the Nomination Committee at appointment and reviewed annually.

The Chairman considers new external appointments of current directors which may impact existing time commitments.

The executive directors hold no more than one external non-executive directorship at a listed entity.

There are no directors whose time commitments are considered to be a matter for concern.

B.4 Training and Development
Directors' induction programmes are tailored for each appointment. The Chairman annually reviews the development needs of each of the non-executive directors. Ongoing development needs are considered when setting the Board forward planner, including deep-dives, topic briefings and site visits.

B.5 Provision of Information and Support
The Chairman, supported by the Company Secretary, ensures that directors receive appropriate and timely information. All directors may seek advice from the Company Secretary and may also take independent advice in relation to their duties, at the company's expense.

B.6 Board and Committee Performance and Evaluation
An internally led performance evaluation was completed during the year. More information about the evaluation can be found on page 58. The findings and any actions for each committee are located in the relevant committee report.

B.7 Re-election of Directors
At the 2017 AGM, all directors were subject to either election or re-election. At the 2018 AGM, with the exception of Andrew Bonfield, all directors will be standing for either election or re-election by shareholders.

Our Governance Report has been redesigned to give greater emphasis to reporting on the Board's activities during this financial year and the year to come. More information about Board and Committee governance and associated activities are set out in our new Board Governance Statement, available on our website. The Board Governance Statement includes further information about how the Principles and each of the Provisions of the UK Corporate Governance Code have been complied with.

C Accountability

C.1 Financial and Business Reporting
The Directors' and Auditor's Statements of Responsibility can be found on pages 97 and 108 respectively.

Information on the company's business model and strategy can be found on pages 1 to 47.

The Directors' viability statement and confirmation that the business is a going concern can be found on page 48.

C.2 Risk Management and Internal Control Systems
The Board sets the company's risk appetite and reviews the Audit Committee's assessment of the effectiveness of the risk management and internal controls during the year. The findings of this review are included in the Audit Committee Report on pages 66 to 69.

C.3 Role and Responsibilities of the Audit Committee
The Audit Committee supports the Board in its responsibilities in relation to corporate reporting, risk management and internal controls, and manages the relationship with the company's external auditors. The Committee provides regular reports to the Board.

D Remuneration

D.1 Level and Elements of Remuneration.
The Directors' Remuneration Report on pages 70 to 93 explains the work of the Remuneration Committee. The remuneration received by the directors, in accordance with the Remuneration Policy, is presented on pages 74 to 81.

As advised in the 2016 and 2017 Annual Reports, the company became non-compliant with Code Provision D.1.1 following the approval of, and grant of awards under the Kingfisher Alignment Share & Transformation Incentive Plan. Code Provision D.1.1. requires that long-term awards be phased rather than awarded in one large block: the Transformation Incentive conflicts with this, as it is designed to be a single block awarded to cover a five-year performance period.

D.2 Development of Remuneration Policy and Packages
The Remuneration Policy was fully reviewed during 2015/16 and, following extensive shareholder consultation, was approved at the 2016 AGM. The 2016 Annual Report and Accounts contains more information about how the Policy was developed.

Under the Code, the Policy must be brought back to shareholders for review or revision no later than the 2019 AGM.

E Relations with Shareholders

E.1 Shareholder Engagement
Details of engagements with shareholders during the year may be found on page 60.

E.2 Use of the AGM
The 2018 AGM will be held on 12 June 2018. The whole Board is expected to attend the AGM and be available to answer shareholders' questions.

Board evaluation

Following the 2016/17 externally-facilitated board evaluation, the Board prepared an action plan to address the key evaluation findings. Good progress was made in each area during the year:

- **Board Information Flows** – The Board's forward planning process has been improved, with the Chairman, CEO and Group Executive members reviewing the planner more frequently. The board paper template and guidance to authors has been fully revised and the improvements in board pack format and content were noted in the most recent effectiveness review.
- **Board Succession Planning** – The Board's desired composition, skills balance and succession priorities were considered by the Nomination Committee during the year. As the Board is seeking to recruit several new non-executive directors to the Board during 2018/19, a new Board Diversity Policy was developed to support the appointments process. The Board's Crisis Succession Plans were also reviewed by the Nomination Committee.
- **Contact with Senior Management** – The Board met senior management from across the business during Board presentations, Operating Company visits to B&Q UK, Castorama Poland and at the Offer and Supply Chain Product Show. The CEOs of the four largest operating segments of the company also joined the Board and Group Executive at the strategy review meeting in November 2017.

In autumn 2017, an internally-facilitated Board Evaluation process was conducted to consider the performance and effectiveness of the Board, its Committees, and individual directors. An online survey was developed in conjunction with Lintstock, an independent third party, who collated the anonymised survey feedback.

The key areas of focus for the evaluation were:

- Board composition;
- Board expertise and dynamics;
- Board support;
- Management of and focus of meetings;
- Case study: the November strategy review meeting;
- Strategic oversight;
- Risk management and internal control;
- Succession planning; and
- Priorities for change.

The evaluation findings were considered at the January 2018 Board and Committee meetings. No significant issues were highlighted and the review indicated that the Board, its Committees, the Chairman and each of the directors continued to work effectively. A Board Action Plan for 2018/19 was developed, based on the findings of the above process; the key findings and planned actions are outlined in the table below. 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 directors during the year.

Board Evaluation Findings and 2018/19 Action Plan

	Key Findings	Development Plans
Board Expertise and Dynamics	The Board wishes to further develop understanding of its stakeholders, particularly the views of customers and employees.	Management will continue to develop and share the Customer Insights data, including Net Promotor Score data. The Board will review methods used to gain insight into, and respond to, employee views and needs.
Strategic Focus	The Board wishes to ensure focus on key strategic priorities is maintained. The Board requested an increase in the Board time spent on strategic topics.	A greater proportion of Board time will be dedicated to longer-term strategic vision during 2018/19. The Board will receive more in-depth information regarding people (including culture and talent development), delivery of our digital ambition, global competition and reviews of major Operating Company performance.
Succession Planning	The importance of continued focus on Succession Planning was noted in both the Board and Nomination Committee evaluation reports.	Will be fully reviewed by the Nomination Committee during 2018. The Committee will review induction plans for any new non-executive directors appointed.

Kingfisher Board

Strategy, performance and governance oversight

Audit Committee

Oversee financial reporting, audit and risk.

Read more on page 66

Nomination Committee

Oversee Board composition and succession planning.

Read more on page 61

Remuneration Committee

Oversee the linking of reward to strategy.

Read more on page 70

CEO and Group Executive

Group Executive led by Véronique Laury to create a long-term sustainable business with a strong purpose by developing a strategy that will create uniqueness and leadership. Deliver that strategy through business plans and milestones.

Engage all colleagues; recruit, retain and develop the best talent.

Finance & Business Services
Karen Witts

Lead the financial and legal agenda with audit, risk, investor relations, health and safety, Goods Not For Resale and corporate governance.

Responsible for developing our sustainable business model and creating the conditions for continuous improvement.

Also responsible for: Brico Dépôt Romania

Transformation, Digital & IT
Steve Willett

Oversee transformation governance and delivery.

Define and drive the digital strategy to deliver industry-leading digital solutions and capability, unlocking seamless customer journeys and leveraging Screwfix's best-in-class digital capability.

Support ONE Kingfisher with the design, delivery and operation of all IT services.

Offer & Supply Chain
Arja Taaveniku

Lead and develop the sustainable, unique and unified offer of products.

Deliver customer benefits, which include new higher quality and sustainable products, lower prices, simpler ranges, clearer merchandising and better packaging.

Ensure availability and efficient delivery to all stores and customers' homes.

Also responsible for: Castorama Russia.

Customer, Brand, Communications & Sustainability
Pierre Woreczek

Develop home improvement customer insights to form the basis of everything we do.

Define and build brand strategy and lead its execution in every country.

Lead on sustainability strategy and manage our global corporate reputation with all key stakeholders.

People
Alastair Robertson

Lead the people agenda to effectively support all our global activities.

Develop engaged and skilled colleagues to champion the positive customer experience.

Develop the leadership skills required to deliver the company's future aspirations.

Also responsible for: Brico Dépôt Iberia.

Extended Group Executive: CEOs from selected Operating Companies are invited to attend Group Executive meetings

CEO B&Q
Christian Mazauric

CEO France
Marc Ténart

CEO Screwfix
Graham Bell

CEO Poland
Sebastien Krysiak

Relations with Shareholders

Kingfisher and the Board acknowledge the importance of having effective and regular lines of communication with both existing and potential shareholders. These engagements take a variety of forms and include capital markets events, presentations, roadshows in Europe, North America and Asia, conferences, store and operational facility visits. Alongside the Investor Relations team, relations involve the Chief Executive Officer, Chief Financial Officer and other members of the Group Executive.

The Chairman held introductory calls with major shareholders shortly after he joined Kingfisher in April, followed by meetings in November 2017.

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

- investment case;
- ONE Kingfisher business strategy and the five year plan;
- financial and business performance;
- final and half year results, including trading updates;
- sustainability; and
- governance, including succession planning; and executive remuneration.

Kingfisher held its first global unified offer product show in November 2017 in Farnborough, UK, showcasing the seven categories where we are developing leading ranges. The event was attended by over 2,000 Kingfisher employees. On the back of this event Kingfisher held a Capital Markets Day, which was very well attended by both sell-side analysts and investors, a number of whom visited from overseas. The day focused on Kingfisher's progress in unifying its offer and developing its digital strategy. In addition to presentations from the senior leadership team, there were a series of presentations and product demonstrations from category leads in Bathroom & Storage, Tools & Hardware and Building & Joinery followed by digital updates on ecommerce and the launch of our first digital home improvement services.

Results, annual reports, latest analyst estimates and technical guidance, presentations and archived webcasts are all available at kingfisher.com. We can also be followed on Twitter @kingfisherplc.

Annual General Meeting

The Board welcomes the opportunity to engage with our wider, retail shareholder base each year at the Annual General Meeting (AGM).

At the 2018 AGM, to be held on Tuesday 12 June 2018, all resolutions will again be put to shareholders on a poll, and the results announced to the London Stock Exchange, and published on our website, shortly after the meeting. Further details about the 2018 AGM can be found in the Notice of Annual General Meeting, which is available at kingfisher.com.

Board Attendance

Current Directors	Board	Nomination	Audit	Remuneration[5]
Andy Cosslett[1]	6/6	3/3	–	2/2
Andrew Bonfield[2]	8/9	4/4	4/4	3/4
Pascal Cagni[2]	8/9	4/4	–	–
Clare Chapman	9/9	4/4	–	4/4
Anders Dahlvig[2,3]	8/9	3/4	3/4	–
Rakhi Goss-Custard	9/9	4/4	4/4	–
Véronique Laury	9/9	–	–	–
Mark Seligman	9/9	4/4	4/4	4/4
Karen Witts	9/9	–	–	–
Former Directors who served during 2017/18				
Daniel Bernard[4]	4/4	2/2	–	1/2

The above table shows the attendance at Board and Committee meetings during the year to 31 January 2018.

1. Andy Cosslett joined the Board on 1 April 2017.
2. Pascal Cagni and Anders Dahlvig were each unable to attend one Board meeting due to prior commitments. In addition, Andrew Bonfield was unable to attend one Board meeting, as reflected above, but was able to join part of the meeting by telephone.
3. Anders was unable to attend the Remuneration and Audit Committee meetings in January 2018 due to a prior commitment.
4. Daniel Bernard resigned as a director on 13 June 2017.
5. Clare Chapman and Mark Seligman attended an additional, ad hoc Committee meeting in February 2017 to consider the fees payable to Andy Cosslett upon his appointment, and following commencement of his duties as Chairman. Daniel Bernard was not invited to attend this meeting given its agenda, and Andrew Bonfield was unavailable due to a prior commitment.

Ensuring balance and diversity

IMAGE REMOVED

Committee Key Activities 2017/18

1. Chairman's appointment/induction
2. Skills review
3. Succession planning
4. Selection and appointments process
5. Diversity Policy
6. Non-executive director recruitment

Areas of Focus 2018/19

1. Non-executive director recruitment
2. Induction of new non-executive directors
3. Succession planning

Dear Shareholders,

The importance of the Nomination Committee's role is increasingly recognised by our shareholders and other stakeholders. In my first year as Chairman of the Committee, we have taken a fresh look at the composition of the Board and Committees. It is essential that the membership of the Board and its Committees align to the needs of the business. This report explains the composition and succession review conducted by the Committee during the year, which has resulted in our decision to recruit additional independent non-executive directors during 2018/19. Our candidate selection process has been reviewed and updated, and is outlined in the following pages.

The Board is proud of its existing diversity, and recognises the need to ensure that the company continues to recruit from a suitably diverse pool of high-quality candidates. During the year, we updated our Diversity Policy, and committed to several objectives which are the core of our non-executive director recruitment programme.

The company fully supports the work of the 30% Club, which aims to encourage more appointments of women to boards, and to drive improvements in diversity of all levels.

As announced in March 2018, we are pleased to confirm that Jeff Carr will be joining the Board on 1 June 2018, bringing over 30 years of relevant experience to the Board. Claudia Arney, an experienced non-executive director, will also be joining the Board on 1 November 2018 bringing a wealth of experience of business transformation and building digital capabilities. Claudia Arney and Jeff Carr's biographical details are provided within this report, and the Committee will oversee a tailored induction process, which is also outlined on the following page.

Having served over eight years on the Board, Andrew Bonfield will retire at the conclusion of the 2018 AGM, and will therefore not seek reappointment.

The Committee will continue to review the composition of the Board and its Committees during 2018/19.

Looking ahead, long-term succession planning at board and executive level will remain a key priority of the Committee.

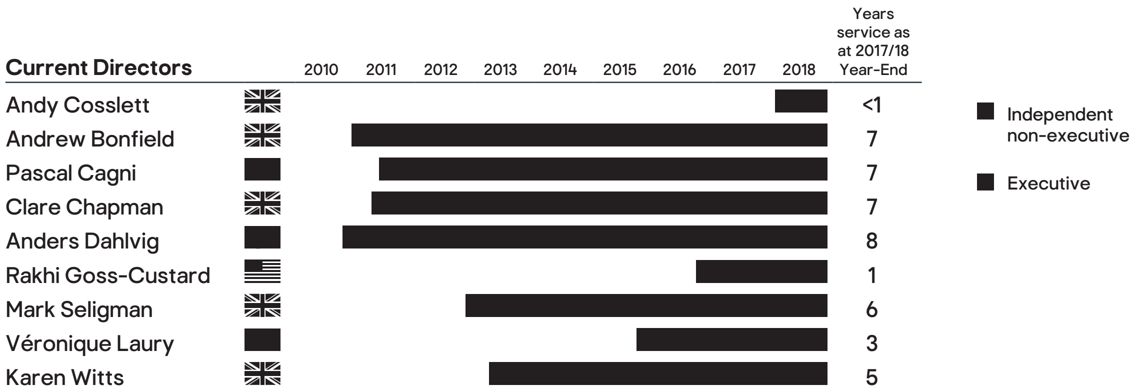
Andy Cosslett
Chairman of the Nomination Committee
20 March 2018

Succession Planning

During the year, the Committee took a fresh look at succession arrangements to help secure the desired mix of skills and experience of Board and Committee members to help meet the company's ambitions now and in the future.

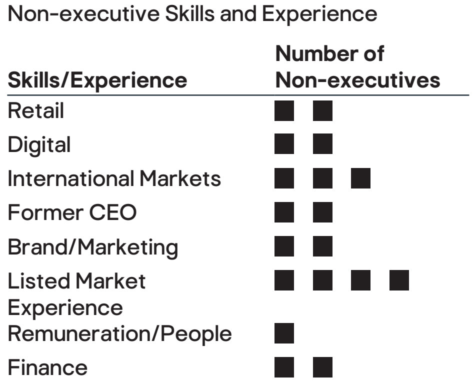
The Committee reviewed the tenure and anticipated retirement dates of the non-executive membership of the Board, to ensure sufficient balance between continuity and the introduction of fresh perspectives. The Board's composition, nationality and tenure information is shown in the figure below.

Board Composition, Nationality and Tenure



Our current Board members each bring a variety of individual skills, knowledge and experience to the Board and the Committees on which they serve. The Committee created a Skills Matrix, capturing the core skills required for running a listed, international retail business. This provides a framework for considering the skills the Committee may wish to prioritise when preparing non-executive director role briefs, and when evaluating potential new candidates. A summary of the skills of serving non-executive directors can be found in the figure below.

Non-executive Skills and Experience



Following a review of the skills, knowledge, experience, background, and diversity currently represented on the Board, and that which would be desirable in future, the Committee recommended appointing up to three new non-executive directors, to ensure the Board continues to have the skills and experience required to support the development and delivery of the company's strategy. The recruitment process began in late 2017, initially seeking to recruit three new non-executive directors, including individuals capable of fulfilling the roles of Chair of the Audit and Remuneration Committees, and at least one non-executive director with strong retail experience.

When considering new appointments to the Board, the Nomination Committee oversees the selection and appointment process, which was updated during the year. The selection process is outlined in the figure on page 63.

The Board Diversity Policy was also updated, and was applied to the recruitment process. In accordance with this policy, the independent Executive Search Agency appointed, Egon Zehnder, was instructed to consider candidates from a broad range of backgrounds. More information is provided on page 65. Egon Zehnder have no other relationship to the company.

Selection and Appointment Process

Board Composition Review

The Committee reviewed the structure, size and composition of the Board including the skills matrix and the experience, diversity and tenure of the directors. The Committee considered the skills and experience which would be required during the next five years.

Role Brief Development

The Committee, in conjunction with Egon Zehnder, developed comprehensive role briefs for the non-executive positions to be filled. The briefs are aligned to the desired Board and Committee composition, with reference to the Skills Matrix and the Diversity Policy and related commitments.

Shortlisting

An initial mandate to propose candidates for three non-executive positions supported Egon Zhender in preparing an initial longlist which included a diverse range of candidates. The Chairman and Company Secretary worked with Egon Zehnder to prepare a shortlist for review by the Nomination Committee.

Interview

A formal two-stage interview process is used when assessing candidates for non-executive positions, with interviewers customised according to the specific role brief for each position. Additional advisory meetings with senior management are included where appropriate.

Due Diligence and Recommendation

A due diligence and referencing process was undertaken for all appointments. Upon satisfactory completion, the Committee makes appointment recommendations to the Board.

Recruitment outcomes

In March 2018, the Board approved the appointments of:

1. Jeff Carr who will become a member of the Audit and Nomination Committees, and will succeed Andrew Bonfield as Chairman of the Audit Committee with effect from 13 June 2018.
2. Claudia Arney who will become a member of the Remuneration and Nomination Committees.

Biographical details for Jeff and Claudia can be found below. These appointments will temporarily increase the size of the Board to support an effective induction process and orderly transitions for key Committee roles.

IMAGE REMOVED

Jeff Carr,

Non-executive Director

Appointed to the Board effective 1 June 2018.

Expertise and experience: Jeff is currently Chief Financial Officer of Koninklijke Ahold Delhaize N.V. (Ahold Delhaize), one of the world's largest retail groups. Ahold Delhaize is headquartered in the Netherlands, operates across Europe and the US, and has a strong physical and ecommerce offering.

Jeff was previously Group Finance Director at both FirstGroup plc and easyJet plc, and held senior finance roles at Associated British Foods plc and Reckitt Benckiser Group plc. He was also previously a non-executive director at McBride plc.

IMAGE REMOVED

Claudia Arney,

Non-executive Director

Appointed to the Board effective 1 November 2018.

Expertise and experience: Claudia brings extensive experience of building digital businesses, strategy formulation and business transformation. Claudia was Chairman of The Public Data Group and Deputy Chairman of TelecityGroup. In her executive career, Claudia was Group Managing Director, Digital at EMAP, Director of the Enterprise and Growth Unit at HM Treasury and Managing Director of TheStreet.co.uk. Claudia joined the Board of Halfords in January 2011 and was subsequently appointed as the Remuneration Committee Chair and is also a Non-executive Director of Aviva plc, Derwent London plc and the Premier League.

Induction

The Nomination Committee oversees the induction programmes of new directors, which are designed to develop a director's knowledge and understanding of the company's operations and culture. The comprehensive programme is tailored to meet each director's specific requirements and is phased to allow feedback and further customisation of development activities, if required.

A tailored induction programme was created for Andy Cosslett, who joined the Board in April 2017. This programme included:

- individual one-to-one meetings with all directors;
- meetings with management of our Operating Companies and other key senior managers across the company;
- meetings with shareholders;
- site visits to the company's stores and offices;
- briefing sessions on the activities of each of the Board's Committees; and
- access to an online resource site of key reference materials to support the above.

Information about the Board's approach to ongoing director development and training is available in the Board Governance Statement on our website.

Crisis Situation Succession

The Committee also considered crisis situation succession arrangements, in the event of sudden changes in availability of key personnel at Board and executive level. Immediate stand-in candidates were identified for these roles, and the Committee continues to monitor a range of candidates with potential to become suitable longer-term successors.

Effectiveness Evaluation

The effectiveness of the Committee was considered as part of the Board evaluation detailed on page 58. The evaluation report noted improvements in the succession planning process, which had been an action identified in the 2016/17 evaluation, but highlighted that continued progress in this area was desirable. This has been incorporated into the Committee's Forward Plan of activities for the year.

Independence and Re-election to the Board

The independence, effectiveness and commitment of each of the non-executive directors has been reviewed by the Committee, which satisfied itself on the contributions and time commitment of all the non-executive directors during the year. An evaluation of the performance of the Chairman was conducted by the non-executive directors, led by Mark Seligman, the Senior Independent Director.

Mark Seligman completed his second three-year term during the year. The Nomination Committee reviewed his commitment and contribution to the Board, with a particular focus on independence. The Committee was satisfied that the appointment should be renewed for a further three-year term.

The Board has confirmed that the contribution of each director continues to be effective and recommends that shareholders support their re-election to the Board.

Diversity

The Board places great emphasis on ensuring that its membership is diverse in its broadest sense. The Committee is responsible for identifying and proposing highly skilled and capable candidates to join the Kingfisher Board, while ensuring the Board remains diverse and rounded. During the year, the Committee reviewed an updated Diversity Policy, which was adopted by the Board.

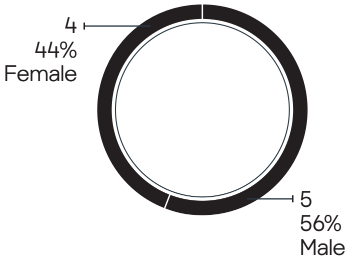
It is Kingfisher's policy to maintain and develop the diversity of its Board without compromising on the calibre of new directors appointed. Appointments to the Board should be based on merit while complementing and enhancing the diversity of skills, knowledge, and experience of the Board as a whole. We consider diversity to include diversity of background, race, disability, gender, sexual orientation, beliefs and age, as well as of culture, personality and work-style. The new policy has three objectives and the Committee has made a number of commitments to ensure delivery against these objectives, which are outlined in the table below.

In addition, Véronique Laury and Andy Cosslett are members of the 30% Club, which aims to encourage more appointments of women to boards, and to drive improvements in diversity at all levels.

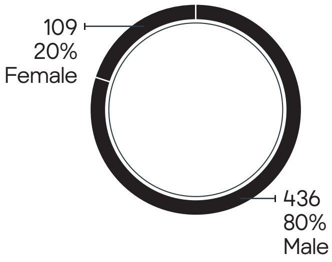
Objectives	Commitments
Engage with Executive Search Agencies in a manner which enhances opportunities for diverse candidates to be considered for appointment.	– Only those Executive Search firms who are signatories to the Voluntary Code of Conduct for Executive Search Firms will be considered when recruiting for a Kingfisher plc Board position. – The Nomination Committee will work with the Executive Search Agency to prepare an appropriate role brief, including relevant skills, underlying competencies, and personal capabilities desired, in order to support the agency in assessing candidates from a broad range of backgrounds. – To facilitate the provision of a broad and diverse range of candidates, and in addition to the requirements of the Voluntary Code of Conduct, the Nomination Committee will require long lists to be drawn up following consideration of candidates from both within and beyond the corporate mainstream.
Support Board-level diversity throughout the Succession Planning process.	– Succession planning will be reviewed at least annually by the Nomination Committee, and will address the need for progressive refreshing of the Board, in accordance with the requirements of the UK Corporate Governance Code. – The Nomination Committee will assess current individual Board member competencies and develop its understanding of the qualities needed for the company's continued Board and Committee effectiveness in the longer term. This review will also consider the long-term diversity of the Board. – Non-executive directors will normally serve no more than nine years to support progressive refreshing of the Board and to maintain appropriate levels of independence. Appointments of non-executive directors for periods beyond nine years will be made only in exceptional circumstances.
Support efforts to increase diversity in the senior management pipeline.	– Senior management succession planning processes will include identification of individuals within the organisation with Board-level potential and will support those individuals to progress their careers.

Each of the above diversity commitments has been met during 2017/18, and have been integral to the ongoing non-executive recruitment process. Gender diversity outcomes for the year are outlined in the figures below.

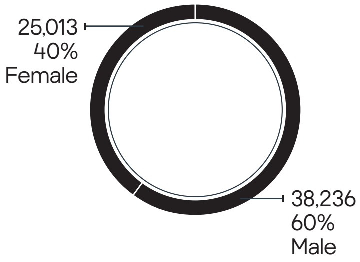
Board



Senior management



Total workforce (FTE)



Overseeing effective controls

IMAGE REMOVED

Committee Key Activities 2017/18

1. External audit tender governance.
2. Internal controls during ONE Kingfisher transformation.

Areas of Focus 2018/19

1. External audit tender process
2. Internal audit – audits covering the transformation programme (digital, unified IT platform, efficiency and unified and unique) data privacy, Bribery Act, SAP user access and Financial Shared Service Centre.
3. Controls presentations from B&Q, Screwfix, Castorama Poland. Digital, Goods Not for Resale, HR controls
4. IFRS 16 Leases – implementation

Dear Shareholders,

I am pleased to present the Audit Committee Report for the year ended 31 January 2018, on behalf of the Board.

Over the following pages we provide insight into the workings of the Audit Committee and its activities in the year. Our report provides an overview of the significant issues the Audit Committee assessed and the Committee's opinion on the Annual Report when viewed as a whole. We continued to monitor the treatment and presentation of the alternative performance measures used in Kingfisher's financial reporting, to ensure these clearly convey the underlying performance of the business during the transformation programme. These measures are described on page 67.

The Committee continues to value the regular in-depth presentations received from the management of Kingfisher's Operating Companies, providing the Committee with real insight into the business's challenges, how risks are managed and mitigated, and how effectively our system of internal control is operating. Additional briefings from core group functions have included operational risk and legal matters and controls within the offer and supply chain. The above are all areas of particular focus while implementing the major change programmes required to deliver ONE Kingfisher. These sessions provide us with an opportunity to challenge, discuss, and debate issues with management, while sharing our experience.

The Committee began preparations for a competitive tender for the external auditor services, which will be completed in time for the selected firm to audit the 2019/20 financial results. The selection criteria and governance arrangements were designed to ensure effective Audit Committee oversight of a selection process which prioritises audit quality.

The members of the Committee have been chosen to provide the wide range of financial and commercial experience needed to fulfil its duties and the Committee is well-placed to continue this oversight and governance role in the year ahead. Details of the members and their attendance at Committee meetings during the year are shown on page 60. I am grateful to all the Committee members for their contribution during the year.

As announced on 16 March 2018, I will be retiring from the Board following the conclusion of this year's AGM and will be succeeded as Chair of the Audit Committee by Jeff Carr.

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
20 March 2018

Significant Financial Reporting Matters

- The Committee considered the **carrying value of goodwill** (£2.4 billion) and poor-performing stores, to determine whether any impairment had been suffered. The Committee reviewed the validity of cash flow projections based on three year strategic plans and the significant financial assumptions used, including the selection of appropriate discount and long-term growth rates, with a focus on France in light of the weaker performance in this market. These projections and assumptions were further challenged through the use of sensitivity analyses. As set out in note 12 to the consolidated financial statements, no impairments of goodwill resulted from this exercise and the Committee did not consider that a reasonably possible change in the assumptions used would cause an impairment to be recognised. No material store asset impairments (or impairment reversals) were recorded.
- The Committee reviewed the principal judgements relating to **inventory valuation**, which at £2.7 billion represents a significant component of the consolidated balance sheet. This included a review of the application of the company's stock provisioning policy, which takes into consideration such factors as stock turn, range or de-listed status, shrinkage, damage and obsolescence when assessing the net realisable value of inventories held at the reporting date. The Committee considered the increase in the level of inventories held, the performance of the new Unified and Unique ranges, and the estimated impacts on future selling prices of range review and clearance activities. The Committee concluded that the stock provisions recorded were appropriate. More information is available in note 17 to the consolidated financial statements.
- The Committee reviewed the significant judgements and estimates relating to **corporate and business taxe**s. The company is subject to taxes in numerous jurisdictions and there are many transactions for which the ultimate tax determination is uncertain. The Committee considered management's assessment of the significant exposures, including opinions from external advisers, and concluded that the provisions recorded and disclosures made were appropriate. Matters reviewed by the Committee included the **transfer pricing policy** to support development of the Offer and Supply Chain organisation, a corporate tax surcharge in France, a dispute with the French Tax Authority regarding the treatment of interest paid, and developments in relation to EU State Aid investigations. More information is available in notes 9 and 35 to the consolidated financial statements.

The Committee reviewed the treatment and presentation of **transformation costs and exceptional items**, and associated **alternative performance measures**, such as underlying and adjusted profits. Transformation costs set out in the consolidated income statement and Financial Review included those related to the unified and unique offer range implementation and the digital strategic initiative. Exceptional items set out in the consolidated income statement and note 5 to the financial statements included movements in the UK and continental Europe restructuring provisions, along with restructuring costs associated with the transformation programme, and were also reviewed for appropriate recognition and measurement. The Committee concluded that the separate reporting of transformation costs and exceptional items was useful to readers in providing an indication of the company's underlying business performance during the transformational change programme, and that the prominence, explanation and reconciliation of the alternative performance measures were appropriate.

- 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.

Fair, Balanced and Understandable

The Committee formally reviews the company's annual and interim financial statements and associated announcements, and considers significant accounting principles, policies and practices and their appropriateness, financial reporting issues and significant judgements made, including those summarised above.

The Committee also advises the Board on whether the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable, and provide the necessary information to assess the company's position and performance, business model and strategy.

The Committee concluded that these disclosures, and the processes and controls underlying their production, meet the latest legal and regulatory requirements for a listed company and that the 2017/18 Annual Report and Accounts are fair, balanced and understandable.

Governance

The Committee as a whole has competence relevant to the sector in which the company operates, and members are invited to provide feedback on the Committee's composition as part of the annual effectiveness review. Andrew Bonfield is designated as the Committee member with recent and relevant financial experience. All members of the Audit Committee are deemed to have the necessary ability and experience to understand financial statements.

All members of the Committee receive an appropriate induction. The induction programme for new directors is outlined in the Board Governance Statement on our website at www.kingfisher.com.

The effectiveness of the Committee was considered as part of the Board and Committee evaluation detailed on page 58. The evaluation findings recognised the importance of a timely and orderly succession for the Committee Chairman's role as Andrew Bonfield approaches the end of his time on the Board. This is reflected in the Nomination Committee's activities during the year and activity plan for 2018/19.

Activities of the Committee during the year

During the year, among other matters, the Committee:

– considered the going concern and longer-term viability statements, reviewing scenarios and risk mitigations which underpin the sensitivity analysis completed, and considered how these align to delivery of the strategic plan over the three-year period. The impact of both separate and cumulative scenarios occurring, and the potential mitigating actions, were considered in confirming Kingfisher's expected resilience. Further information is provided in the Strategic Report, page 48;
– considered the internal audit function's regular reviews of the unified IT platform and other strategic activities related to the transformation, to provide the Committee with assurance over the governance, performance and delivery of these programmes. These are significant projects for the company and the Committee is satisfied that the correct level of control is being maintained. Further reviews will be carried out in 2018;
– received briefings on operational risks and ongoing controls, including updates on controls failings during the period; and
– received presentations focusing on cyber risks the company faces and the mitigations in place.

Internal controls and risk

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

The Committee also 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. No significant weaknesses were identified.

Further information on the company's risk management and internal control procedures can be found on pages 40 to 47.

As part of the Committee's continuing programme to maintain awareness of the company's operations and to understand the implementation of Operating Company control processes, the Committee received presentations from the senior management of Castorama and Brico Dépôt France, Castorama Russia, Brico Dépôt Iberia (Spain and Portugal), and of the Koctas Joint Venture. Company function presentations were also received from the senior management of Kingfisher's Offer and Supply Chain, IT and Digital and Risk functions.

Group internal audit

Reports from the internal audit function during the year included updates on the company's risk management systems and findings from reviews of these systems. The Committee reviewed the remit, organisation, annual plan and resources of the internal audit function, and approved the annual Internal Audit Plan for 2018/19. The plan is regularly reviewed during the year to ensure the function remains aligned to the key risks of the business and responsive to matters developing during the course of the transformation.

The Committee reviewed the effectiveness of the internal audit function, via 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 re-appointment of the external auditor. In doing so, the Committee takes into account auditor independence and audit partner rotation. Deloitte LLP were appointed in 2009/10, following a formal tender process. Richard Muschamp was appointed lead audit partner following the conclusion of the 2013/14 audit process.

During the year, the Committee agreed the approach to, and scope of, the audit work to be undertaken by the external auditor. The Committee also reviewed the terms of engagement and fees payable for the 2017/18 audit work. Details of the amounts paid to Deloitte for their audit services are given in note 7 to the accounts. The external auditor provides the Committee with a schedule of any 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.

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, regulatory filings and certain business acquisitions and disposals. Other work is awarded on the basis of competitive tendering. The company's policy on the use of the external auditor for non-audit work can be found on the company's website.

The Committee considered the effectiveness and independence of the external auditor and 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. 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 also reviewed the extent of non-audit services provided to the company. The Committee confirmed its satisfaction with both 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.

The Committee has initiated a competitive tender process for the external auditor, to be completed in time for the selected firm to audit the 2019/20 financial results. The tender process is to be conducted in 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. The Committee approved objective criteria for the initial technical screening exercise and the selection criteria to be applied during the tender process, ensuring that these criteria prioritise audit quality. Management provided confirmation that firms to be invited to tender would not face independence issues. Following review of the outcome of the technical screening exercise, the Committee selected the firms to be invited to tender, and approved the timetable and governance arrangements for the process. The Committee endorsed the composition of management's Core Tender Team and appointed a Selection Panel comprising the CFO and certain Committee members, who will recommend a preferred firm to the Committee.

Accountability, risk management and internal control

Internal control and risk management
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. The system complies with the requirements of the UK Corporate Governance Code and has been developed with reference to the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

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 2017 to the date of approval of the Annual Report and Accounts 2017/18.

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.

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. Further information regarding our approach to Risk Management is provided on page 40.

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 both a monthly and cumulative basis;
- written reports from the Chief Executive Officer and Chief Financial Officer which are submitted to 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 reviews each year 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. Internal Audit reports directly to the Audit Committee and has the authority to review any relevant part of the company and its businesses and to oversee the operation of the individual Operating Companies' audit committees. The function provides the Audit Committee and the Board with objective assurance on the control environment across Kingfisher.

Focusing and incentivising delivery

IMAGE REMOVED

Contents

About this report

This report has been prepared in compliance with the remuneration disclosures required under the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

Dear Shareholder,

I am pleased to present the Directors' Remuneration Report for the financial year ended 31 January 2018. This is the second report under our Remuneration Policy (the 'Policy'), and follows the completion of Year 2 of our five year strategy focused on becoming the leading home improvement company.

Pursuing our ambition means operating in a totally different way: our strategy will transform Kingfisher and deliver a more valuable investment proposition for our investors whilst also creating value for our customers, our colleagues, our suppliers and broader society. It is my objective in this report to provide an update on how the Policy is supporting the delivery of the transformation plan as well as to report on the remuneration decisions we have taken for 2017/18.

We are also very conscious of the evolving public focus on executive remuneration and the Committee's role in ensuring that rewards are fair and proportionate. To respond to this, I also provide an update on activity underway to ensure that all colleagues can also share in the success of the transformation.

Supporting delivery of the ONE Kingfisher plan

The Policy, approved by shareholders at the 2016 AGM, delivers competitive reward in an innovative way, tightly aligned to the execution of our strategy. It represents a simplified approach to executive remuneration, consisting of two components:

- An annual package for executives comprised of fixed pay, a reduced cash bonus based on strategic targets and Alignment Shares granted subject to underpins on balance sheet and business health metrics measured over three years; and
- A long-term Transformation Incentive linked to improving EPS and ROCE over the five year strategy period as laid out at the Capital Markets Day in January 2016.

The diagram on the next page demonstrates the elements of our reward structure, the link with our strategy and the benefits to shareholders. In summary our approach has been to use the cash bonus to incentivise management to deliver the milestones necessary for execution of the strategy. They are held strongly accountable for balance sheet strength and business health through the transformation by the Alignment Shares construct, and for ultimate financial improvements and growth created by the strategy through the five-year Transformation Incentive.

Annual		Long-term
Bonus	**Alignment Shares**	**Transformation Incentive**
Unified & Unique Offer Digital Retail Operations Operational Efficiency	Maintain dividend cover + Control net debt/EBITDAR	£500m sustainable profit uplift from 2020/21 + Improve ROCE + c.£600m capital return
Strategic pillars	**Balance sheet health**	**Returns to shareholders**
Policy – design intent		
– Based on achievement of strategic milestones linked to the transformation plan – Bonus reduced by more than half to shift the balance of the package towards the long-term	– Supports share ownership and shareholder alignment amongst the top team – Incentivises balance sheet strength and financial health – Minimum five years holding	– A simple and strong incentive with a five year performance period – aligns with commitments made at the 2016 Capital Markets Day – Performance conditions directly align with material improvement in profit and returns

Progress update: Annual Bonus
It was always the Committee's intention that the strategic milestones be a way of creating focus amongst senior leaders by incentivising delivery. We also described to shareholders that over time the strategic milestones would shift from predominantly process and activity based measures, to outcome measures. I am pleased to confirm that this shift is starting to take place and, following successful execution by management, we are beginning to see an increased focus on outcome metrics. In the case of our commercial offering, this metric is sales growth for products within our unique & unified offer. There remains considerable transformation work taking place and so this evolution of the strategic milestones will happen over the coming years, but it is clear that these are proving to be an effective way of focusing and incentivising delivery.

Progress update: Transformation Incentive
The Transformation Incentive is a strong reward with a five-year performance period focused on commitments made at the 2016 Capital Markets Day. There is therefore a single, long-term set of financial goals as opposed to overlapping targets that need to be calibrated each year. Given its five-year performance period and stretching targets, it is too early to fully evaluate its success. This element is however focusing executives on delivery of the commitments under the transformation. It should be noted that the five-year and one off nature of the plan creates a higher risk profile for executives than a conventional rolling plan, where targets can be rebased from grant to grant.

Consideration of the broader context
The Committee remains focused on ensuring that colleagues are paid appropriately and fairly, in a way that engages them and provides an opportunity to share in the success of the transformation. The Committee has spent time during 2017/18 overseeing management's review of total reward. Although led by management, the Committee has reviewed the principles of the approach taken and examples of how the new framework would work in practice. A notable output of this is the review of pay arrangements across our Offer & Supply Chain organisation, which had a variety of pay arrangements due to the geographies and backgrounds from which colleagues were appointed.

The Committee recognises that Kingfisher will only achieve our ambitions if all colleagues are engaged, motivated and have access to appropriate reward. The Committee will continue to receive updates on the development and implementation of this review of reward for the wider colleague population. Committee members, through regular Board updates by the Chief People Officer, are kept informed of other important matters affecting the workforce. These include ways to improve our ability to identify and develop talent, to better understand and respond to the views of colleagues, and Group-wide initiatives to improve diversity and to instil our culture and values.

The Commitee has also overseen Kingfisher's first Gender Pay Report, which is available from www.kingfisher.com/genderpayreport2017. Whilst this analysis is a statutory requirement, the Committee believes that having a diverse workforce, with fair representation, is strategically important and generates value for all our stakeholders.

The Commitee is also monitoring with interest the FRC's consultation on revisions to the UK Corporate Governance Code. The Committee believe that Kingfisher is well placed to respond to the proposed changes, and is making progress on a number of actions that are aligned to these.

Performance and Remuneration Decisions in Year 2

Kingfisher has built on the robust foundations set in Year 1 of the strategy with strong delivery against Year 2 strategic milestones, which have been substantially met. Read more about these in the Annual Report on Remuneration, which begins on page 74.

The intent of the Policy, and our commitments to shareholders, was to focus executive reward on long-term outcomes, aligned to the strategy and to be weighted in shares. The remuneration decisions detailed below illustrate how we as a Committee are executing this commitment.

Annual Bonus outturn

The 2017/18 Annual Bonus was assessed against key strategic milestones linked to the transformation. Although all milestones were substantially met, the Committee acknowledged that execution of the strategy had caused some disruption to sales through the year. As a result the Committee reduced the formulaic outcome of 73.6% to 69.6% of salary for both the CEO and CFO, a reduction of just over 5%. Full detail on the performance against each 2017/18 strategic milestone can be found on page 75.

Long-term Incentive Plan (LTIP)

The 2015 LTIP was assessed equally against EPS and KEP performance over the three years ending with 2017/18. Neither EPS growth nor KEP met the required threshold over the performance period and so 2015 LTIP awards will lapse in full. The Committee noted that exclusion of transformation costs (which was instigated after the date of award) would have resulted in the LTIP part vesting, but concluded that it would not be appropriate to exercise its discretion in this regard given the investments being made by shareholders in the transformation. Further details of the performance assessment can be found on page 76.

Key remuneration decisions for 2018/19

Base Salary

Following continued strong performance from both the CEO and CFO, and delivery of transformation objectives, the Committee awarded 4% and 5% increases to the CEO and CFO, respectively. This follows an increase in 2017 that was limited to 2%, at the request of the CEO, so as to be in line with the wider workforce given the transformation was in its early stages.

The CEO salary increase reflects a slower than anticipated realignment of the CEO's salary towards market competitive levels. However, as signalled both at the time of the CEO's appointment and in subsequent annual reports, the Committee believes it is important to undertake this realignment over time to ensure fair reward.

As outlined when the Policy was approved, it is the Committee's intent, given her strong performance, to move the CFO's salary to an appropriate position relative to the market. In addition, given the CFO's expanded responsibilities, which includes the Group's property function, our expanded Romanian business, and Koçtaş, our Turkish joint venture, the Committee determined that a 5% salary increase be awarded; this increase remains within the expected limit of increases communicated to shareholders when the Policy was approved.

In line with previous messaging, the Committee may award further increases above the wider UK workforce increase in future years.

Performance measures for Annual Bonus

The 2018/19 Annual Bonus will be assessed against strategic milestones that have been agreed by the Board to be critical to the execution of the Transformation. The detail of these milestones are considered commercially sensitive and so these will be disclosed in next year's remuneration report, but are based around:

- 2018 product range implementation;
- Digital implementation;
- Unified IT platform implementation;
- Goods not for resale (GNFR);
- Operating model development;
- Colleague engagement; and
- Retail operations.

All milestones will apply to the senior leadership group, with other colleagues assessed on a subset of the milestones, considered most relevant and visible to them.

2018 Alignment Shares

The CEO and CFO will each receive grants of 80% of salary for the 2018 Alignment Share award. These awards will be made given the CEO's and CFO's strong personal performance over 2017/18 and, as with the 2016 and 2017 awards, will be subject to the same robust underpin measures being the maintenance of the dividend subject to the dividend cover being above 1.75x, and the maintenance of the ratio of lease adjusted net debt to EBITDAR below 2.5x. Details of these awards are set out on page 82 of the Annual Report on Remuneration.

Looking ahead

In the upcoming year, the Committee will undertake an in-depth review of the Policy to ensure it remains appropriate for the next phase of our strategy and within the context of the external environment, ahead of bringing it to a binding vote at the 2019 AGM. I will therefore be contacting shareholders in the autumn to outline any changes we plan to the Policy at that time.

The Committee and I remain committed to ensuring that we have an open and transparent dialogue with shareholders and so welcome any questions you may have on the implementation of the Policy in Year 2, how we intend to implement it in Year 3, or any other relevant topics. I look forward to receiving your support for our Annual Report on Remuneration at the 2018 AGM.

Clare Chapman
Chairman of the Remuneration Committee
20 March 2018

At a glance

The following pages provide a summary of our approach to remuneration, how this approach links to the delivery of our strategy and the award decisions we have taken to date under our Remuneration Policy.

Our Remuneration Principles

Employees as shareholders
share ownership acting as transparent performance pay aligned with shareholders

Prioritising long-term value
prioritising long-term value creation over short-term financial goals

Supporting our culture
maintaining fairness through a consistent cascade of pay structures

Simple and effective
paying people in a way that motivates them and in a form they value

Reward Element	2017/18	2018/19	2019/20	2020/21	2021/22	Strategic link
Base Salary	Reviewed annually					
Annual Bonus	Annual award					Achievement of annual strategic milestones critical to the delivery of the transformation plan
Alignment Shares	25% of award: five-year holding period (2017/18 to 2021/22)					Balance sheet health
	75% of award: three-year vesting period (2017/18 to 2019/20)			Two-year post-vest holding period (2020/21 to 2021/22)		
Transformation Incentive	Five-year performance period (2017/18 to 2020/21)					Delivering long-term benefits for shareholders

Base Salary

Policy
Set with reference to FTSE 25-75 and the retail peer group. Salary increase effective 1 April.

Remuneration in respect of 2017/18
CEO: £770.1k (2% increase)
CFO: £586.5k (2% increase)

Application of Policy in 2018/19
CEO: £800.9k (4% increase)
CFO: £615.8k (5% increase)

Annual Bonus

Policy
To focus executives on the achievement of annual strategic objectives critical to the transformation plan. Maximum of 80% of base salary, paid fully in cash and based on performance against annual strategic milestones.

Remuneration in respect of 2016/17
Based on strategic milestones resulting in an outturn of 90% of maximum (72% of salary) for both the CEO and CFO.
CEO: £537.0k
CFO: £411.0k

Remuneration in respect of 2017/18
Based on strategic milestones resulting in an outturn of 87% of maximum (69.6% of salary) for both the CEO and CFO.
CEO: £534.2k
CFO: £406.9k

Alignment Shares

Policy
To align executives with long-term health of the company and shareholder returns through a long-term share award. Maximum of 80% of base salary; 25% of the award vests immediately, with 75% vesting in Year 3, subject to business health underpin measures.

Remuneration in respect of 2017/18
Award made in full (80% of salary) in April 2017.

The Committee made the award due to the strong performance of both the CEO and CFO in 2016/17.

Application of Policy in 2018/19
Award to be made in full (80% of salary).
Award will be granted in April 2018.

The Committee made the award based on the strong performance of both the CEO and CFO in 2017/18.

Transformation Incentive

Policy
To align executives with shareholders; rewarding executives for the delivery of improved growth and providing shareholder returns through the execution of the transformation plan. Awards granted once every three years, subject to five-year vesting period. On target award at 220% of salary for CEO; 200% for CFO. Maximum opportunity of 4x on target award.

Remuneration in respect of 2016/17
Award granted at maximum opportunity in July 2016.

Final vesting of awards is subject to EPS (50%) and ROCE (50%) performance over the five-year transformation period.

Application of Policy in 2017/18 and 2018/19
No award made in 2017/18 or to be made in 2018/19, in line with Policy.

Annual Report on Remuneration

The Annual Report on Remuneration outlines how the Committee implemented the Directors' Remuneration Policy for the financial year ended 31 January 2018. 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 12 June 2018. 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 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 for the financial year ended 31 January 2018 and the comparative figures for the financial year ended 31 January 2017.

		1. Base salary £'000	2. Taxable Benefits £'000	3. Annual Bonus £'000	4. Alignment Shares £'000	5. LTIP £'000	6. Pension £'000	Total £'000
Executive directors								
Véronique Laury	**2017/18**	**767.6**	**28.0**	**534.2**	**156.9**	**–**	**95.9**	**1,582.6**
	2016/17	745.8	87.9	537.0	151.1	100.1	93.2	1,715.1
Karen Witts	**2017/18**	**584.6**	**29.4**	**406.9**	**119.5**	**–**	**102.3**	**1,242.7**
	2016/17	570.8	29.2	411.0	115.1	237.6	96.3	1,460.0
Total	**2017/18**	**1,352.2**	**57.4**	**941.1**	**276.4**	**–**	**198.2**	**2,825.3**
	2016/17	1,316.6	117.1	948.0	266.2	337.7	189.5	3,175.1

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

1. Base Salary (audited information)

Executive directors' salaries were increased at the start of the 2017/18 financial year with effect from 1 April 2017. No other reviews took place during the year.

	As at 1 April 2017 £'000	As at 1 April 2016 £'000	% increase
Executive directors			
Véronique Laury	**770.1**	755.0	2%
Karen Witts	**586.5**	575.0	2%

As disclosed in the 2015/16 Annual Report on Remuneration, there is an intention over the life of the current Policy to move the salary of the CEO toward the market median, and to move the salary of the CFO to an appropriate position between the FTSE 25-75 and the retail peer group. For 2017/18, the CEO requested that the Committee award her and the CFO no more than the average increase to the broader workforce, recognising that the transformation strategy remains in its early stages. The Committee agreed this was appropriate and awarded an increase of 2% to both executive directors. It remains the Committee's intention to realign the executive directors' salaries against market as execution of the strategy continues to proceed successfully, which may result in increases above the average of the workforce.

2. Taxable Benefits (audited information)

The benefits provided to executive directors for both 2017/18 and 2016/17 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	Tax advice £'000	Life assurance £'000	**Total 2017/18 £'000**	Total 2016/17 £'000
Executive directors							
Véronique Laury	7.9	4.2	–	12.9[2]	3.0	**28.0**	87.9
Karen Witts	22.2	2.2	2.7	–	2.3	**29.4**	29.2

1. Véronique Laury opted for a company car. Karen Witts opted for the cash allowance.
2. This benefit relates to ongoing annual tax preparation assistance provided to the CEO in the UK and France. This assistance is provided in recognition of the international nature of the CEO's role and is limited to income tax return preparation required in respect of the CEO's employment income. Note that this figure is inclusive of tax payable on expenses reimbursed.

3. Annual Bonus (audited information)
The purpose of the Annual Bonus is to focus executives on the achievement of strategic milestones that are critical to the transformation of Kingfisher. The 2017/18 annual bonus was based on strategic milestones within the following four pillars: Unique & Unified Offer; Digital; Operational Efficiency; and People.

The table below sets out the targets that were set in respect of each of the four pillars, the corresponding achievement against these targets during the period ending 31 January 2018 and the resulting payout.

Strategic Pillar (Weighting)	Target	Detail	Achievement	Total score
Unique & Unified Offer (30%)	Achieve at least 20% unified cost of goods sold (COGS)	Reduce the number of suppliers we use through successful implementation of the unified process. The unified process will increase the efficiency of our procurement, standardise our product offering, and help to reduce costs.	23% COGS had successfully gone through the unified process for the 2017/18 financial year. See Strategic Report page 22 for further information.	100%
Digital (30%)	Key elements of ecommerce implemented for use as unified IT platform rolls-out	Improve core elements of Kingfisher technology to increase web traffic and sales conversion, to enable higher online and store sales.	Ecommerce elements implemented and live in line with the project plan, including launch of the Castorama France website. Mobile platform was activated during the year, albeit to a limited traffic base at year-end (now fully implemented).	80%
	Further Home Improvement Platform components implemented; initial development of all other core elements	Improve customer experience through digital application, including Product Expert for Outdoor implemented into B&Q, and a new bathroom planning tool implemented into B&Q and Castorama France.	B&Q Garden app launched in April 2017, in time for season. New bathroom planning tool was launched in B&Q, but launch for Castorama France now expected for 2018/19 due to delays in implementation of Group IT systems. Other core elements at minimum viable product stage, including B&Q Spaces.	
Operational Efficiency (30%)	Complete unified IT platform roll-out in B&Q and Castorama; begin roll-out for Brico Depot France and Castorama Poland	Second stage of implementation of unifying the Group's IT systems.	The second stage of implementation of the Group's unified platform was implemented in line with the revised schedule for the year (see note below table) for B&Q and Castorama Poland (in progress) and slightly behind plan for Castorama and Brico Dépôt France, in part due to delays from required consultation.	93%
	Deliver additional £20m of benefits from goods not for resale (GNFR)	Drive operational efficiency by consolidating GNFR. Categories covered included media buying, facilities management and building services.	A £28m benefit (consisting of savings and workings in a simpler and more effective way across the business) was delivered ahead of budget and plan.	
	Development of future operating model	First elements of the operating model developed, and timetable for implementation determined and agreed.	Progress on development and implementation broadly in line with plan, with final sign-off of implementation completed shortly after year-end. Consultation on process changes commenced in B&Q and France shortly after the year-end.	
People (10%)	Implementation of new engagement tool; engagement scores average or higher than comparators	Implement a new tool to assess the level of colleague engagement across the Group. Results of key engagement indicators to be compared to an external benchmark of other large, international retailers.	New engagement tool successfully implemented. Colleague engagement scores for the year significantly above the retail benchmark.	100%
Total achievement (prior to Committee discretion)				**92%**
Total achievement (post discretion – see below)				**87%**

At the Committee meeting in September, the Committee approved amendments to the milestones on the implementation of key elements of ecommerce and continued roll-out of the Group's unified IT platform. The agreed amendments re-prioritised these milestones to focus on larger Operating Companies in France and Poland, and increased the difficulty of achieving the milestones. The Committee requested and received evidence to satisfy itself that these changes would not impact the 2020/21 financial or operational commitments under the transformation. The Committee considered the annual bonus outcome in view of the performance against the strategic milestones as set out above. It was concluded that all milestones had been substantially met, resulting in a payout of 92% of maximum. The Committee also recognised that certain aspects of the transformational activity caused some disruption to sales. They therefore exercised their discretion and reduced the payout by 5% to 87%. This resulted in a bonus of 69.6% of salary be payable to the executive directors. This equates to £534,238 for the CEO and £406,870 for the CFO. The 2017/18 annual bonus will be paid in April 2018, and will be paid entirely in cash.

4. Alignment Shares (audited information)

In line with our Policy, the Committee determined that personal performance for both the CEO and CFO had been strong throughout the 2016/17 financial year and approved the grant of Alignment Shares at the level of 80% of salary. Further detail on the performance of the executive directors during 2016/17 can be found in last year's remuneration report. 25% of the Alignment Share award vested immediately: the number and value of the shares vested during the year is shown below.

Executive directors	Number of shares[1]	Value of shares vested[2] £'000
Véronique Laury	46,527	156.9
Karen Witts	35,434	119.5

1. The number of shares shown represents the proportion of the Alignment Share award granted in April 2017, which vested immediately.
2. Calculated using the closing share price on the date of vesting of 337.2p.

5. LTIP (audited information)

The value of LTIPs shown in the single figure table shows the level of award vesting based on targets set and measured over the relevant reporting period (financial year ended 31 January 2018).

The table below sets out the LTIP due to vest in 2018 in respect of the performance period ended 31 January 2018.

	Original targets (at current FX rates)			Outcome no adjustments	
Measure	Start to earn 25%	Target 50%	Max 100%	Achieved	Pay out
Earnings Per Share (EPS) growth	4.0%	6.5%	11.5%	(0.3)%	0%
2017/18 Kingfisher Economic Profit (KEP)	£0m	£15m	£31m	(£38)m	0%
Total					0%

At the Committee meetings in September 2017, the Committee considered whether to make an adjustment to the KEP target to take account of the costs linked to the strategic transformation. The Committee concluded that it remained appropriate to retain the formulaic outcome from the measure, and that no adjustment should be made. As a result, the 2015 LTIP awards lapsed in full.

As explained in previous reports, Kingfisher no longer reports using the KEP measure. KEP represents earnings after a charge for the annual cost of capital employed in the business and is derived from the concept of Economic Value Added. Earnings for KEP purposes exclude exceptional items and property lease rentals. A charge is then deducted by applying the weighted average cost of capital (WACC) to capital employed. For the purposes of consistency both WACC and capital employed are lease-adjusted. Leases are capitalised based on an estimate of their long-term property yields. In order to focus on controllable factors both WACC and long-term property yields are based on those in place when KEP was introduced.

6. 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.

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

Notes: 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 accounts for 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

Executive directors	Employer contributions into DC Scheme £'000	Cash alternative £'000	Total 2017/18 £'000	Total pension benefit as a % of base salary
Véronique Laury	–	95.9	95.9	12.5%
Karen Witts[1]	–	102.3	102.3	17.5%

1. Salary Sacrifice member contributions into the Kingfisher Defined Contribution pension scheme were made by Karen Witts to the value of £9,999.96.

Payments to past directors and loss of office

(audited information)

There were no payments to past directors or for loss of office.

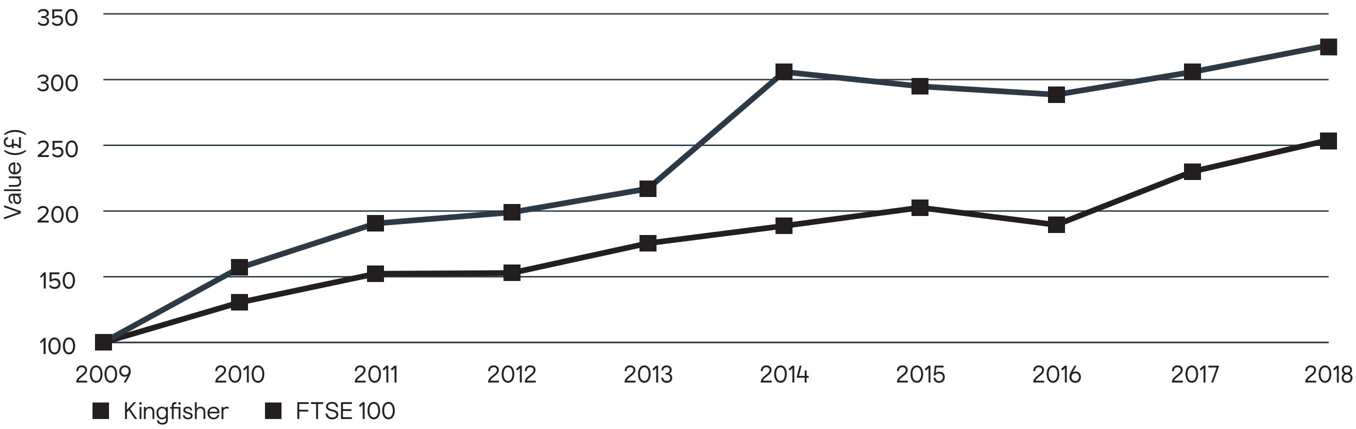
Outside appointments for executive directors

Subject to the rules governing conflicts of interest, Kingfisher is supportive of its executive directors holding external non-executive positions. The holding of such roles can provide valuable insight for the executive directors, which can be of benefit to Kingfisher. Subject to the Committee's agreement, the individual may retain any fees applicable for these roles.

Karen Witts is a non-executive director of, and the Audit Committee Chair at, Imperial Brands plc. Karen receives £106,000 per annum for fulfilling this role. She retains these fees.

Performance graph

The graph below shows Kingfisher's total shareholder return for the nine years to 31 January 2018, 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 nine 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 2018.

Year	Chief Executive Officer	Bonus % of maximum awarded[1]	Value of bonus awarded £'000	Original Alignment Share grant as a % of salary[2]	Alignment Share % of maximum vesting[2]	Value of shares vested £'000	Original LTIP grant level as a % of salary[3]	LTIP % of maximum vesting	Value of vested shares £'000	CEO's single figure £'000
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	3,455.4
2014/15[4]	Sir Ian Cheshire/ Véronique Laury	12.3	202.6	–	–	–	n/a	n/a	n/a	1,306.1
2015/16	Véronique Laury	69.1	967.4	–	–	–	n/a	n/a	n/a	1,983.0
2016/17	Véronique Laury	90.0	537.0	20[5]	100	151.1	200	24.5	100.1[6]	1,715.1
2017/18	Véronique Laury	87.0	534.2	20[5]	100	156.9	200	0.0	0.0	1,582.6

1. The maximum bonus opportunity was 200% of base salary up to the end of the 2015/16 financial year. The maximum bonus opportunity for 2016/17 and 2017/18 was 80% of salary.
2. New element of reward introduced under the Remuneration Policy approved by shareholders at the 2016 AGM.
3. The original LTIP grant shows the award level at the point of grant, three years prior to the date the vesting percentage was determined.
4. Sir Ian Cheshire stepped down as Chief Executive Officer on 8 December 2014, at which point Véronique Laury took over the position. Sir Ian Cheshire's remuneration in the table is from the start of the financial year up until 8 December 2014, and Véronique Laury's is from 8 December 2014 to the end of the financial year. The single total figure in the table above shows the combined total remuneration for both Sir Ian Cheshire and Véronique Laury.
5. This represents 25% of the total Alignment Share award (equivalent to 80% of salary) granted in 2016 and 2017 respectively. This portion vested upon grant. The remaining 75% of this award (equivalent to 60% of salary) will vest three years after the date of grant, subject to performance against the underpin measures set out in the corresponding Remuneration Report.
6. The value of the 2014 LTIP, which vested in July 2017 on performance to the end of January 2017, has been restated using the share price on the date of vesting of 304.8p.

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 2016/17 and 2017/18 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.

	Chief Executive Officer		
	To 31 January 2018 £'000	Percentage change 2017/18 vs 2016/17	All UK Employees
Base Salary	767.6	2.9%	2.2%
Taxable Benefits[1]	27.9	(68.3)%	3.7%
Annual Bonus	534.2	(0.5)%	(31.1)%

1. The reduction in the CEO's taxable benefits from the prior year reflects the additional relocation support, in the form of tax advice, provided to the CEO in 2016/17. Details of this additional relocation support was disclosed in last year's Remuneration Report.

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	2017/18	2016/17	Percentage change
Overall expenditure on pay	**1,735**	1,648	5.3%
Total dividends paid in the year	**231**	230	0.4%

Executive directors' shareholdings and share interests

(audited information)

Executive directors are required to build a significant shareholding in the company. Unvested awards are not included when assessing holding requirements. Vested awards are included when assessing holdings, but are adjusted to take into account the tax liability arising on exercise.

The table below sets out the beneficial interests of the executive directors in the ordinary shares of the company and a summary of the outstanding share awards as at 31 January 2018. Calculations are based on a share price of 347.0p (being the closing price of a Kingfisher share on 31 January 2018).

	Shares held		Awards over nil cost options				
Executive directors	No. of shares held outright		Vested but not exercised[1,2]	Unvested and subject to continued employment[3]	Unvested and subject to performance conditions and continued employment[4]	Shareholding requirement (% of base salary)	Shareholding 31-Jan-18 (% of base salary)
	31-Jan-18	31-Jan-17					
Véronique Laury[5]	227,665	221,582	129,052	159,438	2,772,689	350%	136%
Karen Witts[5,6]	163,056	118,387	193,085	152,449	1,976,694	250%	160%

1. 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).
2. These awards include the immediate vest element of the Alignment Share awards granted to both Véronique Laury and Karen Witts in 2016 and 2017. These also include options granted to Véronique Laury under the 2014 LTIP, and options granted to Karen Witts under the 2012 PSP, the 2013 KISS, and the 2014 KISS.
3. These awards include options granted to Véronique Laury (6,198 shares) and Karen Witts (9,730 shares) under a HMRC-approved ShareSave plan which are not in the form of nil-cost options. These awards also include options granted to both Véronique Laury and Karen Witts under the KISP 2015, and the KISP 2016.
4. These awards include options granted to Véronique Laury and Karen Witts in respect of the 2015 LTIP (which will lapse in full at the point of vesting), both the 2016 and 2017 Alignment Shares awards (excluding those which vested immediately upon grant) and the 2016 Transformation Incentive award.
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 8,778,595 ordinary shares at 31 January 2018.
6. Between 1 February 2018 and the date of this report, Karen Witts acquired 85 partnership shares under the Kingfisher Share Investment Plan (SIP).

Share awards made during the financial year

(audited information)

Options and awards over shares were made during the year ended 31 January 2018 under the Kingfisher Alignment Shares and Transformation Incentive Plan (KASTIP) in respect of the 2017/18 Alignment Share award.

2017/18 Alignment Share Award

(i) Immediate Vest – no performance conditions

Name	Date of grant	Number of shares	Face value of award[1,2] £'000	Date vested	Final exercise date[3]
Executive directors					
Véronique Laury	24 April 17	46,527	156.9	24 April 17	24 March 27
Karen Witts	24 April 17	35,434	119.5	24 April 17	24 March 27

1. The award value, at the time of grant, was based on 20% of base salary.
2. The awards were made under the Kingfisher Alignment Share and Transformation Incentive Plan (KASTIP) and the value of the award is based on the share price as at the date of vesting of 337.2p per share.
3. The awards are structured as nil-cost options and have an exercise period of ten years less one month.

(ii) Vesting subject to performance conditions

Name	Date of grant	Number of shares[1]	Face value of award[2,3] £'000	End of performance period[4]	Final exercise date[5]
Executive directors					
Véronique Laury	24 April 17	139,581	462.0	31 Jan 20	24 March 27
Karen Witts	24 April 17	106,303	351.9	31 Jan 20	24 March 27

1. Vesting date of 24 April 2020.
2. The award value, at the time of grant, was based on 60% of base salary.
3. The awards were made under the Kingfisher Alignment Share and Transformation Incentive Plan (KASTIP) and were calculated by reference to the share price for the three dealing days prior to the grant of 331.0p per share.
4. The shares will vest subject to performance against the underpin conditions over the period to the end of 2019/20 financial year.
5. The awards are structured as nil-cost options and have an exercise period of ten years less one month.

The performance conditions attached to the 2017 Alignment Share Award are as follows. 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.

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

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	Kingfisher Incentive Share Scheme (KISS) – 2014	8,367	Nil	Nil	24 Oct 17	304.9	25.5
Karen Witts	2014 Kingfisher Long Term Incentive Plan	77,963	Nil	Nil	03 July 17	304.8	237.6
	Kingfisher ShareSave Plan	2,857	315.0	9.0	30 May 17	324.0	0.3

Dilution limits
The terms of the company's share plans set limits on the number of newly-issued shares that may be issued to satisfy awards. In accordance with guidance from the Investment Association, these limits restrict overall dilution under all plans to under 10% of the issued share capital over a ten-year period, with a further limitation of 5% in any ten-year period on executive plans.

Only those awards granted under the ShareSave plan are satisfied by newly-issued shares.

Any awards which are satisfied by market-purchased shares are excluded from these calculations. These include awards granted under discretionary plans, including those awards which have been exercised by the executive directors during the year, and the Alignment Share and Transformation Incentive awards granted during 2016/17.

No treasury shares were held or utilised in the year ended 31 January 2018.

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 2018 and the comparative figures for the year ended 31 January 2017. 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 2017/18 £'000	Taxable benefits 2017/18 £'000	Total 2017/18 £'000	Fees 2016/17 £'000	Taxable benefits 2016/17 £'000	Total 2016/17 £'000
Andy Cosslett[2]	Chairman, Chairman of the Nomination Committee	R, N	382.5	0.9[3]	383.4	–	–	–
Andrew Bonfield	Chairman of the Audit Committee	A, R, N	83.7	–	83.7	82.4	–	82.4
Pascal Cagni		N	63.7	–	63.7	62.4	–	62.4
Clare Chapman	Chairman of the Remuneration Committee	R, N	83.7	–	83.7	82.4	–	82.4
Anders Dahlvig		A, N	63.7	–	63.7	62.4	–	62.4
Rakhi Goss-Custard		A, N	63.7	–	63.7	62.4	–	62.4
Mark Seligman	Senior Independent Director	A, R, N	83.7	–	83.7	82.4	–	82.4
Former directors								
Daniel Bernard[4]	Chairman, Chairman of the Nomination Committee	R, N	196.0	–	196.0	480	–	480
Total			**1,020.7**	**0.9**	**1,021.6**	**914.4**	**–**	**914.4**

1. Indicates which directors served on each Committee during the year: Audit Committee = A; Remuneration Committee = R; Nomination Committee = N.
2. From the time of his appointment as a Non-executive Director and Chairman Designate, until his appointment as Chairman following the AGM, Andy Cosslett received a fee of £225,000 per annum. For his role as Chairman, Andy Cosslett receives a fee of £450,000 per annum. The fees paid to Andy during 2017/18 include a contribution of £45,000 towards the costs of an assistant.
3. These relate to private medical cover for Andy Cosslett and his family.
4. Daniel Bernard was paid his fees through a service company, Provestis, which also includes a contribution towards the cost of running the Chairman's office of £16,620.

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 2017/18 and 2016/17 are shown below. No benefits are provided except for a store discount card of up to 20%.

	Fees £'000 As at 1 February 2017	As at 1 February 2016	% increase
Chairman[1]	480.0	480.0	n/a
Non-executive director fee	63.7	62.4	2%
Senior Independent Director	20.0	20.0	n/a
Chairman of Audit Committee	20.0	20.0	n/a
Chairman of Remuneration Committee	20.0	20.0	n/a

1. Andy Cosslett, who was appointed as Chairman with effect from 13 June 2017, receives a fee of £450,000 per annum, plus a contribution towards the costs of an assistant of £45,000 per annum and private medical insurance for him and his family.

Non-executive directors' shareholdings
(audited information)
The table below sets out the current shareholdings of the non-executive directors (including beneficial interests) as at 31 January 2018. 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 2018[1]	Number of shares held outright as at 31 January 2017[1]
Andy Cosslett	99,802	–
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	6,124[2]	6,124[2]
Mark Seligman	15,000	15,000
Former directors		
Daniel Bernard	131,592[3]	131,592

1. There have been no changes to the beneficial interests of the non-executive directors between 1 February 2018 and 20 March 2018.
2. Rakhi Goss-Custard acquired her interest in these shares through her spouse.
3. Shares held at date of stepping down from the Board.

Statement of implementation of the Remuneration Policy for 2018/19

Implementation of Remuneration Policy for executive directors in 2018/19

Base Salary
Implemented in line with policy.

Base Salary £	As at 1 April 2018	As at 1 April 2017	% increase
Véronique Laury	800.9	770.1	4.0
Karen Witts	615.8	586.5	5.0

We have previously disclosed our intention to move the CEO's pay into line with the market median over the life of the policy, and to bring the CFO's pay to an appropriate position between the FTSE 25-75 and the retail peer group over time. The Committee agreed that it was appropriate to award an increase above that for the wider workforce (2% for UK employees) to both executive directors.

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 the achievement of a number of strategic milestones critical to the delivery of the transformation as set out below:

- 2018 product range implementation – including unified COGS and growth in unified & unique sales and gross margin;
- Unified IT implementation – roll-out of unified systems;
- Digital implementation – including implementation of the ecommerce platform and other home improvement services;
- Goods not for resale (GNFR) implementation – including measures on benefit delivered for the financial year 2018/19;
- Operating model – including the implementation of new, simpler and more effective ways of working; and
- People – motivating employees as we move through our transformational journey.

Group financial performance will also be taken into consideration.

In the opinion of the Committee, the detail of the Annual Bonus measures and targets for 2018/19 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 pages 25 to 27. It is the Committee's policy to gradually progress from process objectives to a greater focus on strategic output measures as the Company progresses through to delivery of the transformation.

Alignment Shares
Implemented in line with policy.

The Committee recognised the strong personal performance of both the CEO and CFO throughout 2017/18 and so Alignment Share awards will be made at the level of 80% of salary in line with policy. A summary of the personal performance for each executive director is set out below:

Véronique Laury demonstrated strong personal performance through: strong leadership of the wider team; maintenance of the ongoing business in a toughening retail environment; operational delivery through the transformation, in line with expectations; and, the continued delivery of the strategic milestones (see Strategic Report pages 22-24 for further details).

Karen Witts demonstrated strong personal performance through: her leadership and development of the Finance team; her role in building trust and confidence in our Transformation with key investors; the delivery of the second stage of the goods not for resale (GNFR) benefits; oversight of our Romanian business, including the acquisition of Praktiker Romania; and through her contribution to the development of the operating model which will facilitate the sustained future performance of the business.

The underpin conditions for the Alignment Share awards relate to maintaining the underlying health of the business over the course of the five year strategy period, to the end of 2021/22. The underpin conditions for the 2018/19 awards, which will apply throughout the duration of the three-year vesting period are:

– maintenance of the 10.1p dividend subject to dividend cover being above 1.75 times; and
– maintenance of ratio of lease adjusted net debt to EBITDAR below 2.5 times.

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 considering 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 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, i.e. last awarded in 2016/17 with no new Transformation Award being made until 2019/20.

Implementation of remuneration policy for non-executive directors in 2018/19

Fees £'000	As at 1 February 2018	As at 1 February 2017	% increase
Chairman[1]	495.0	n/a	n/a
Non-executive Director fee	65.0	63.7	2.0%
Senior Independent Director fee	20.0	20.0	n/a
Chairman of the Audit Committee	20.0	20.0	n/a
Chairman of the Remuneration Committee	20.0	20.0	n/a

1. The Chairman's was initially appointed on a fee of £225,000 from 1 April 2017 until taking over the role of Chairman at the 13 June 2017 AGM. Part of his fee relates to a contribution to the cost of his assistant of £45,000 per annum. He additionally receives private medical insurance for him and his family.

The Board considered the fees paid to the non-executive directors in January 2018 and decided to apply an increase of 2%, effective 1 February 2018. The non-executive directors abstained from the discussion when their fees were considered.

Service contracts/letters of appointment

	Date of service contract/letter of appointment	Expiry of current term	Length of service at 31 January 2018
Andy Cosslett	01/04/17	31/03/20	10 months
Andrew Bonfield	11/02/10	31/01/19	7 years
Pascal Cagni	17/11/10	16/11/19	7 years
Clare Chapman	02/12/10	01/12/19	7 years
Anders Dahlvig	16/12/09	31/01/19	8 years
Rakhi Goss-Custard	01/02/16	31/01/19	2 years
Véronique Laury	08/12/14	12 months rolling	3 years
Mark Seligman	01/01/12	01/12/17	6 years
Karen Witts	01/10/12	12 months rolling	5 years

The Remuneration Committee

The Committee has delegated authority from the Board over the company's remuneration framework and policy. The Committee reviewed its terms of reference, in addition to its remuneration framework and principles in September 2017. These were subsequently approved by the Board at its meeting in October 2017. As part of this review, only minor amendments were made to the terms of reference. The key amendments concerned the consideration of fairness when making its reward decisions for the executive directors. The Committee will next review its terms of reference once the FRC has published its new UK Corporate Governance Code later this year.

Under its terms of reference, the Committee is responsible for:

– determining and making recommendations to the Board on the Group's framework and policy for executive remuneration and its costs;
– determining individual remuneration and benefits for the executive directors, other members of the Group Executive, the Chairman of the Board and the Company Secretary;
– exercising the powers delegated to it by the Board in relation to the company's all-employee and long-term incentive share plans;
– setting and overseeing the selection and appointment process of remuneration advisers to the Committee;
– monitoring external remuneration trends and market conditions, and receive reliable, up to date, information on remuneration elsewhere within our stated peer group; and
– reporting to shareholders on an annual basis on the work of the Committee.

The Committee Chair 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 2018.

	From	Attendance
Clare Chapman (Chairman)	16/02/11	4/4
Andy Cosslett	13/06/17	2/2
Andrew Bonfield	17/06/10	3/4
Mark Seligman	22/01/16	4/4
Daniel Bernard (stepped down from the Board and the Committee on 13/06/2017)	03/06/09	1/2

1. Clare Chapman and Mark Seligman attended an additional, ad hoc Committee meeting in February 2017 to consider the fees payable to Andy Cosslett upon his appointment, and following commencement of his duties as Chairman. Daniel Bernard was not invited to attend this meeting given its agenda, and Andrew Bonfield was unavailable due to a prior commitment.

Non-executive directors who are not members may also attend Committee meetings. The Chief Executive Officer, Chief People Officer, Group Reward Director and the Committee's remuneration advisors were regular attendees at Committee meetings held during the year. No individual was present when their own remuneration or benefits were discussed.

Activities during the year

The significant matters considered by the Committee during 2017/18 included:

- judging performance against the 2016/17 strategic milestones and agreeing the 2016/17 bonus outturn for the executive directors and the other members of the Group Executive;
- approving the 2017/18 strategic milestones and underpins to be used for the 2017 Alignment Shares;
- approving the grant of 2017 Alignment Share Awards;
- approving the vesting of the 2014 LTIP award;
- considering the vesting of the 2015 LTIP award;
- agreeing the performance targets for the annual bonus for the 2017/18 financial year;
- approving the fee for the incoming Chairman;
- receiving updates from Group Reward on progress of the Group's project to provide a fair and appropriate pay structure for all colleagues; and
- approving the treatment of awards granted to Jean-Paul Constant following his departure from the company, and approving the new remuneration package for Steve Willett following his appointment to the role of Chief Transformation Officer;
- monitoring developments in corporate governance and market practice in respect to executive remuneration.

Advisors to the Committee

During the financial year ended 31 January 2018, the following external advisors provided services to the Committee. Unless otherwise stated, the advisors have no other connection with the company, 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, and adheres to, the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com). During the year, PwC provided the Committee with executive remuneration advice. PwC also provided Kingfisher with reward advice (including on gender pay and below board benchmarking), tax advice, and legal advice during the year. For services provided to the Remuneration Committee, the fees paid to PwC were £139,750. These fees were incurred through a retainer, and on a time and expenses basis. The advice received from PwC by the Committee was considered, and it was determined that PwC provides objective and independent advice to the Committee.

Voting at the Annual General Meeting

At the Annual General Meeting on 13 June 2017, the Annual Report on Remuneration was put to an advisory vote. The Directors' Remuneration Policy was put to a binding vote at the 15 June 2016 AGM. 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 (2017 AGM)	1,710,904,475 (98.82%)	20,440,793 (1.18%)	78.32%	7,122,213
Directors' Remuneration Policy (2016 AGM)	1,690,379,201 (98.71%)	22,137,385 (1.29%)	75.38%	46,532,822

The Annual Report on Remuneration, together with the Chairman's statement, will be subject to an advisory vote by shareholders at the AGM on 12 June 2018.

Clare Chapman
Chairman of the Remuneration Committee
20 March 2018

Directors' Remuneration Policy

The Remuneration Policy (the 'Policy') is set out in this section. The Policy was approved by shareholders at the 2016 AGM, held on 15 June 2016. The full Policy has been included for reference purposes. The Policy is next due to be put to shareholders for approval at our AGM in 2019, and the Committee will review the suitability of the Policy in the coming year, and where a material change is considered, the company will consult with major shareholders prior to submitting to all shareholders for approval.

The Policy is also available on the company's corporate website, www.kingfisher.com.

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.

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.

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.

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.

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.

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.

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 absenting themselves from the discussions as appropriate.

The Committee reviews the Chairman's fees annually.

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

Contributions 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.

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.

Approach to recruitment remuneration

Area	Policy and operation
Overall	When hiring a new executive director, or making internal promotions to the Board, the Committee will apply the 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. 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. The policy below is consistent with the principles of the previous recruitment policy which have been adapted in line with the new remuneration structure.
Base salary	Base salary would be set at an appropriate level to recruit the best candidate based on their skills, experience and current remuneration.
Benefits	Benefits provision would be in line with normal policy. Where appropriate the executive may also receive relocation benefits or other benefits reflective of normal market practice in the territory in which the executive director is employed.
Pension	Pension provision would be in line with normal policy.
Incentive awards	Incentive awards would be made under the Annual Bonus, Alignment Shares and Transformation Incentive in line with the normal policy. 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.
Buy-out awards	In addition to normal incentive awards, buy-out awards may be made to reflect value forfeited through an individual leaving their current employer. 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. 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. 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.

Shareholding requirements

To ensure the alignment of the interests of executives and shareholders over the long-term, executive directors are required to build a significant shareholding.

The shareholding requirement is 350% of salary for the CEO 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 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, 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 for 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 Group'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 Group.

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.

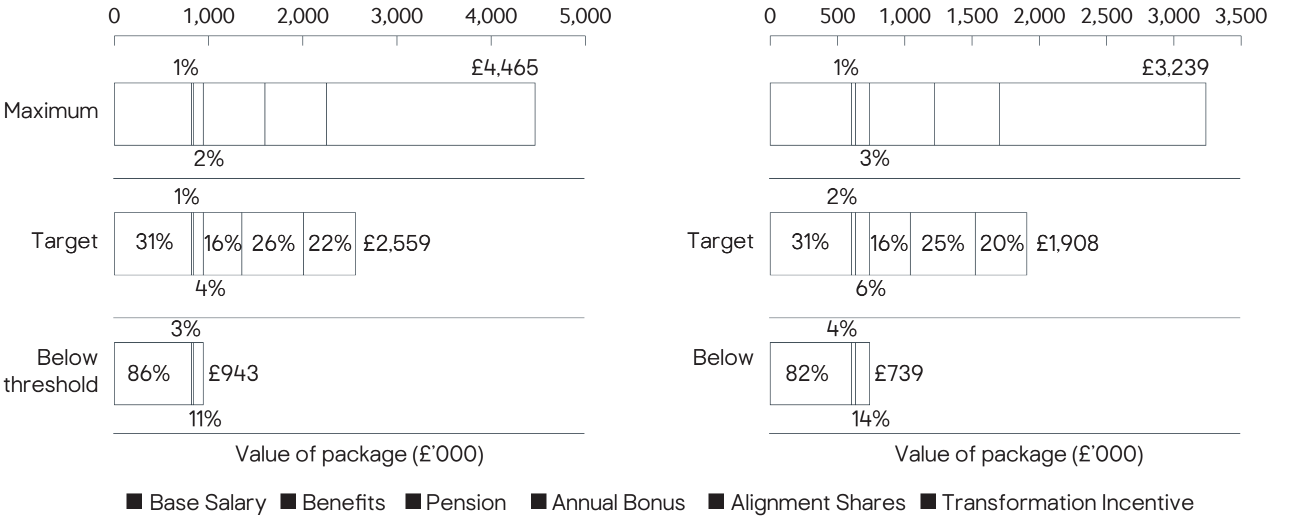
The Group did not consult with employees when drafting the Directors' Remuneration Policy.

Statement of consideration of shareholder views

The Committee consulted extensively with the company's largest shareholders and their representative bodies leading up to the 2016 AGM on our proposed Directors' Remuneration Policy.

Illustration of the application of the Remuneration Policy

The tables and charts below provide estimates of the potential total future remuneration for each executive director based on the remuneration opportunity 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.



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 (2017/18) and three (2018/19).

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.

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.
	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.
The underpin requirement for the unvested Alignment Shares is not met and the pre-grant requirement is not achieved.	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 Contractual Termination payment	**Resignation** No payments on departure will be made on termination, even if by mutual agreement the notice period is cut short. **Departure not in the case of resignation** For the period of notice served, the executive director may continue to receive their monthly base salary, benefits and pension. During this time, at the discretion of the company, they may continue their duties or be assigned garden leave. For the period of notice not served, the executive director may receive a payment in lieu of notice. This would be delivered by continuing to pay their monthly base salary over this period and would be subject to mitigation. No other payments should be due on departure. **Settlement agreement** The Committee may agree payments it considers reasonable in settlement of legal claims. This may include an entitlement to compensation in respect of their statutory rights under employment protection legislation in the UK or in other jurisdictions. The Committee may also include in such payments reasonable reimbursement of professional fees in connection with such agreements.
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	Bonus payments may be receivable at the normal date, pro-rated for time, and taking into account performance achieved. 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.
Alignment Shares for good leavers	The default position is that awards will lapse upon cessation of employment. 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. 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. 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. The Committee may decide, acting fairly and reasonably, that any adjustment set out above to reduce the vesting of the award would be inappropriate.

Provision	Policy
Transformation Incentive for good leavers	Awards will vest on the normal date, pro-rated for time, and will take into account performance achieved. The Committee retains discretion to further reduce the awards granted to reflect any personal performance issues. 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. The Committee may decide, acting fairly and reasonably, that any adjustment set out above to reduce the vesting of the award would be inappropriate.
Shareholding requirements	Upon leaving the company, the shareholding requirement will continue to apply for two years. The shareholding requirement will be 100% of the shareholding requirement for the first year and 50% for the second year after departure. 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.
Chairman and non-Executive directors Contractual Termination payment	Non-executive directors are appointed under letters of engagement. Appointments have historically been for an initial period of three years and invitations to act for subsequent three year terms are subject to a review of performance, and take into account the need to progressively refresh the Board. The appointment may be terminated by either party giving the other not less than three months' prior written notice, unless terminated earlier in accordance with the company's Articles of Association. The company has no obligation to pay compensation when the appointment terminates.

Directors' report

The Directors present their report for the financial year ended 31 January 2018.

Other information, which has been included elsewhere within the Annual Report, but which is relevant to this report is incorporated by reference, per the table below:

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).

Dividends

The directors recommend a final dividend of 7.49p (2016/17: 7.15p) per ordinary share amounting to £162 million (2016/17: £160m) to be paid on 18 June 2018 to shareholders on the register as at the close of business on 4 May 2018. This, together with the interim dividend of 3.33p (2016/17: 3.25p) per ordinary share, amounting to £71 million (2016/17: £73m), paid on 10 November 2017, results in a total ordinary dividend for the financial year ended 31 January 2018 of 10.82p (2016/17: 10.4p) per ordinary share, amounting to £234 million (2016/17: £233m).

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.

Dividend	No of shares waived (% of holding)	Total value of dividends waived
Final 2016/17 (paid June 2017)	6,128,895 (100%)	£438,215.99
Interim 2017/18 (paid November 2017)	5,182,958 (99.77%)	£172,592.50
Total for year to 31 January 2018		£610,808.49

Directors

The members of the Board as at the date of this report and their biographical details are set out on pages 52 to 53.

Daniel Bernard retired from the Board with effect from 13 June 2017 and Andy Cosslett was appointed to the Board with effect from 1 April 2017.

Directors' Indemnity Arrangements

Each director and former director who served on the Board during the 2017/18 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 2017/18. Neither the indemnities nor the insurance provides cover in the event that the director concerned is proved to have acted fraudulently.

Governance and Risk Management for Climate Change

Governance of climate-related risks and opportunities is integrated into our overall sustainability governance and risk management structures. Our Group Chief Executive Officer, Véronique Laury, has ultimate accountability for the issues of energy and climate change. Our Chief Customer Officer, who is a member of our leadership team and reports directly to our CEO is responsible for integrating sustainability across the customer journey. Our Board receives regular updates on sustainability risks and performance against our targets, including those relating to climate change and energy.

Identification and management of sustainability risks is incorporated in our strategic risk assessment processes. Our Group Sustainability Committee (GSC), a sub-committee of the Group Executive, monitors short, medium and long-term sustainability risks, their potential impact on our business, and our mitigation measures. The GSC meets at least twice a year and risks are reviewed at each meeting. It is sponsored by our Chief Customer Officer. Our most significant risks are included in our sustainability risk register (part of our overall Group risk management process). At an asset level, we manage climate-related risks through our insurance programmes and by incorporating climate change factors into our planning and design of new stores, refurbishment projects and preventative maintenance programmes.

We have identified a number of climate-related risks and opportunities that may impact our business strategy. The most important of these is the opportunity from the growing market for energy efficient products and services, estimated to be worth €70 billion by 2020 across our key European markets (Boston Consulting Group report, commissioned by Kingfisher, 2011). Other risks include the potential impact of rising energy and insurance costs on our business and supply chain. We have established targets and KPIs to help us manage these risks. These are integrated into our sustainable growth plan, summarised on page 30.

Greenhouse Gas Emissions

We report our annual greenhouse gas (GHG) emissions in tonnes of CO2 equivalent (CO_2e) from activities for which the company is responsible. Details of our emissions for the year ended 31 January 2018 are provided below. Our Sustainability Report contains further details and will be published in June 2018.

We have achieved a 16% 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 CO_2e)	Baseline 2010/11	2014/15	2015/16	2016/17	2017/18
GHG emissions from combustion of fuel and operation of facilities (scope 1)	157,590	146,807	156,062	153,553	156,066
GHG emission from the purchase of electricity, heat and steam (scope 2)	247,775	258,392	246,775	212,592	184,996
Total scope 1 and 2 GHG emissions (2020 target = 25% reduction)	405,365	405,199	402,837	366,145	341,062
GHG emissions per m^2 of floor space	61.0	53.3	51.9	47.3	43.5

Methodology

Our GHG emissions have been calculated using UK government (Defra) and International Energy Agency (IEA) 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 Sustainability data, including our Greenhouse Gas data, covers all our Operating Companies. We report on an ‘operational control’ basis, meaning that the data covers Kingfisher’s Operating Companies where we have the full authority to introduce and implement operating policies. Emissions from our Koçtaş joint venture are reported under our scope 3 emissions (category investments).

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 are 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, 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 27 on page 147 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 2017 AGM, shareholders approved a resolution authorising the directors to allot shares up to an aggregate nominal value of £116,875,058. As at the 19 March 2018, the directors had issued 2,682,643 shares. All shares were issued to satisfy awards under the ShareSave Plan.

Shareholders also approved a resolution authorising the directors to allot shares up to a nominal amount of £233,750,117 in connection with a rights issue. As at 19 March 2018, the directors had not used this authority. The company will seek to renew these authorities at the 2018 AGM.

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 2018 AGM.

Authority to purchase own shares

At the 2017 AGM, shareholders approved a resolution permitting the company to make purchases of its own shares to a maximum number of 223,125,112 ordinary shares, representing just under 10% of the issued share capital as at 12 April 2017. This resolution remains in force up to the conclusion of the 2018 AGM. As at 19 March 2018, the directors had, pursuant to this authority, purchased 52,238,036 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 2018 AGM, in line with our commitment to return c.£600 million of capital to shareholders over three years, announced at our Capital Markets Day in January 2016.

Major Shareholdings

The Company had been notified under Rule 5 of the DTR of the following interests in voting rights in its shares as at 31 January 2018 and as at the date of this report. The information below was calculated at the date on which the relevant disclosures were made in accordance with the DTRs, however the number of shares held by each may have changed since the company was notified.

	Number of ordinary shares held	% of total voting rights
BlackRock, Inc.[1]	150,733,648	6.98%
Templeton Global Advisors Limited	112,611,851	5.11%
Mondrian Investment Partners Limited	112,274,595	5.00%

1. Part of the shares held by BlackRock, Inc. are in the form of ADRs.

Research and Development

The company undertakes research and development activities in order to develop its digital capability. More information is available on pages 23 and 24 of the Strategic Report.

Political donations

The company made no political donations during the year (2016/17: £nil), and does not intend to make any political donations in the future.

As is our policy and practice, the company will continue to seek shareholder approval annually to enable us to make donations or incur expenditure in relation to EU political parties, other political organisations or independent election candidates. This is on a precautionary basis to avoid any unintentional breach of the relevant provisions set out in the Companies Act 2006.

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;
- the £400 million credit facility dated 29 November 2016 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$179 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.

Equal Opportunities

The company is committed to equal opportunities in employment and creating a work place where everyone is treated with fairness, dignity and respect. It is our policy to ensure that all employees are treated no less favourably on the grounds of disability and are not subject to unlawful discrimination. This policy applies to all aspects of employment including recruitment and selection processes, opportunities for training, development and promotion and Terms and Conditions of Employment. Through its policies, the company ensures that entry into, and progression within, the company is based solely on personal ability and competence to meet set job criteria. The company ensures that all our employment policies, practises and procedures are accessible for disabled people, providing reasonable adjustment where appropriate.

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. Where such potential conflicts arise, they are reviewed, and if appropriate, approved by the Board. Processes for managing such conflicts are put in place to ensure no conflicted director is involved in any decision related to their conflict. Directors' other key appointments are set out in the directors' biographies on pages 52 and 53.

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

Paul Moore
Company Secretary
20 March 2018

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 company's ability to continue as a going concern.

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

Paul Moore
Company Secretary
20 March 2018

Independent Auditor's Report to the members of Kingfisher plc

Report on the audit of the financial statements

Opinion

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 2018 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 Financial Reporting Standard 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.

We have audited the financial statements of Kingfisher plc (the 'Company') and its subsidiaries (the 'Group') which 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;
- the statement of accounting policies; and
- the related notes 1 to 37 of the Group financial statements and notes 1 to 16 of 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, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – inventory valuation; – recognition of supplier rebates; – store impairment: French operating units; – impairment of goodwill: France cash generating unit; – taxation matters: transfer pricing; and – classification and presentation of exceptional and adjusted items. Within this report, any new or refined key audit matters are identified with ▲ and any key audit matters which are the same as the prior year are identified with ▶.
Materiality	The materiality that we used for the Group financial statements was £34 million which was determined on the basis of profit before tax and exceptional items. The materiality that we used for the Company financial statements was £30.6 million, which was determined on the basis of 90% of Group materiality.
Scoping	We focused our Group audit scope primarily on all significant trading entities and the Group head office. These locations represent the principal business units and account for 99% (2016/17: 99%) of the Group's revenue, 97% of the Group's profit before tax (2016/17: 97%) and 93% (2016/17: 95%) of the Group's net assets.
Significant changes in our approach	In the current year, our key audit matters have been refined to reflect changes in the Group's underlying operations as described below.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the Directors' statement in note 2.a 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 company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 42 to 47 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on page 40 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 48 as to how they have assessed the prospects of the company, 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 Company 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 are also required to report whether the Directors' statement relating to the prospects of the Company required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the current year our key audit matters have been refined to reflect changes in the Group's underlying operations. The main changes noted are set out below.

- Given the significant increase in inventory from £2,173 million at 31 January 2017 to £2,701 million at 31 January 2018, the Unique and Unified Offer implementation and associated clearance activities taking place across the Group's operating units, we have expanded our key audit matter relating to inventory valuation to include a fraud risk in relation to considering the ongoing appropriateness of the Group's policy for inventory provisioning.
- We have pinpointed our key audit matter regarding store impairment to Brico Dépôt France and Castorama France due to their recent trading performance, in particular sustained negative like-for-like growth and underperformance against the market.
- We have removed lease-based provisioning as a key audit matter as there have not been any significant lease-based provisions recorded in the year and there is not a material judgement in accounting for any movement in provisions recorded in prior periods.

- We have pinpointed our key audit matter regarding the impairment of goodwill to the valuation of goodwill attached to the France cash generating unit. This assessment is due to the recent trading performance in France; in particular sustained negative like-for-like growth and underperformance against the market.
- We have refined our taxation key audit matter to focus on the valuation of transfer pricing provisions, given that the provisions held are inherently judgemental (relying on judgements around how the tax authorities would approach and consider these issues).

Inventory valuation

Key audit matter description	As at 31 January 2018, the value of inventory held by the Group was £2,701 million (31 January 2017: £2,173 million) as disclosed in note 17 to the financial statements. Assessing the valuation of inventory requires significant judgement in estimating the eventual selling price of items held, as well as assessing which items may be slow-moving or obsolete. As detailed in the Strategic Report on page 22 the Group has continued rationalising the number of stock keeping units (SKUs) as it continues to look to unify its product offering with the same products, presented everywhere in the same way. This had led to an increase in the inventory balance. This adds additional complexity to assessing the level of inventory which will become obsolete and the expected net realisable value (NRV) of inventory which will be sold. Further, given there has been clearance activity for the past year as the Group looks to unify its ranges, this can impact the eventual selling price and hence the net realisable value of inventory, which ultimately influences the level of provisions recorded. The Group's principal accounting policy on inventory is on page 119 and the sources of estimation uncertainty for inventory are on page 122. Judgements relating to inventory and stock provisioning policy are a significant issue considered by the Audit Committee as discussed on page 67. Given the level of judgement applied and the potential for manipulation, we consider this to be a fraud risk specifically in relation to considering the ongoing appropriateness of the Group's policy in the context of inventory rationalisation and clearance activities taking place across the Group's operating units.
How the scope of our audit responded to the key audit matter	Our audit focused on whether the valuation of year end inventory was in accordance with IAS 2 'Inventory'. This included challenging the judgements taken regarding the recording of 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: – evaluating the design and implementation of key controls over inventory provisioning with their operating effectiveness assessed in certain operating companies; – reviewing the cost of clearance for Unified ranges implemented to date and understanding how this impacted the year end provision; – critically assessing the Group's inventory provisioning policy, with specific consideration given to the increase in inventory and expected clearance activity; – verifying the existence and condition of inventory by attending a sample of inventory counts throughout the year across all in scope components, including those at 16 distribution centres and 67 retail stores; – checking the value of a sample of inventory to confirm it is held at the lower of cost and net realisable value, through comparison to vendor invoices and current sales prices; and – recomputing provisions recorded to verify that they are recorded in line with the Group's policy and IAS 2. This was done in conjunction with IT specialists for some components where the provision is automatically calculated.
Key observations	The results of our audit work were satisfactory and we concur that the level of inventory provisions are appropriate. We also concur that the Group's policy for inventory provisioning is in accordance with IAS 2.

Recognition of supplier rebates

Key audit matter description	The Group receives significant amounts of supplier incentives, discounts, and rebates and recognises these as a deduction to cost of sales. These agreements largely comprise volume-based rebates based on percentage levels agreed for the calendar year, but also include arrangements with a greater degree of judgement such as advertising and marketing support. Assessing the point at which a rebate earned from suppliers should be recognised as a reduction to cost of sales, including adherence to contractual terms, is an area of complexity and requires a detailed understanding of the contractual arrangements and the source data on which management's calculations are based. As the majority of volume rebates are settled on a calendar year basis, we identified a risk relating to recognition of non-volume based rebates and any judgement in the volume rebates recognised in January (and which have not yet been settled). The majority of rebate agreements are subject to netting agreements with the supplier. As detailed in note 18, there are £274 million of rebate debtors recorded at year end. The Group's principal accounting policy for rebates is on page 118 and the sources of estimation uncertainty for rebates are on page 122. Given the level of judgement applied and the potential for manipulation, we consider this to be a fraud risk.
How the scope of our audit responded to the key audit matter	We obtained a detailed understanding, and evaluated the design and implementation, of controls that the Group has established in relation to the recognition of supplier rebates. 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 or agreed rebates to supplier agreement 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 accrued 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.
Key observations	We concluded that rebate income and rebate accrual is materially correct and has been recognised in accordance with the Group's policy. We consider the disclosure given around supplier rebates to provide an appropriate understanding of the types of rebate income received and impact on the Group's balance sheet as at 31 January 2018.

Store impairment: French operating units

Key audit matter description	As at 31 January 2018 the value of property, plant and equipment held by the Group was £3,736 million, as disclosed in note 14 to the financial statements. Our key audit matter relates to the Brico Dépôt France and Castorama France operating units due to recent trading performance, in particular sustained negative like-for-like growth. There are several technically complex or judgemental aspects of assessing store impairment, which are set out below. We note that cash flow forecasting, impairment modelling and property values are all inherently judgemental. The key assumptions applied by management in their store impairment reviews are: – determining the cash-generating units (CGUs), which the Group has determined as being individual stores, with indicators of impairment; – country-specific discount rates and long term growth 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 valuations to approximate fair value less costs to sell when considering impairment.
How the scope of our audit responded to the key audit matter	Our audit procedures included assessing the design and implementation of key controls around the Group's impairment reviews. We challenged the French impairment models by: – challenging the completeness and accuracy of management's impairment indicator assessment; – checking the mechanical accuracy of the models; – assessing in conjunction with our valuation specialists the discount rates applied to the impairment review; – comparing forecast growth rates to external economic data; – considering prior period forecasting accuracy; – challenging key inputs in the model including forecast sales growth and margins. – agreeing the vacant possession value of freehold property to third party valuation reports, challenging the inputs and valuation methodology applied; and – checking that the disclosures within the financial statements were appropriate.
Key observations	We did not identify any additional impairments over and above that recorded by Management.

Impairment of goodwill: France cash generating unit ▲

Key audit matter description	As at 31 January 2018 the value of goodwill held by the Group was £2,437 million, as disclosed in note 12 to the financial statements. 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. Determining the carrying value of goodwill requires management to make significant estimates including forecast cash flows, discount rates and long term growth rates. As detailed in the finance review on page 34 there has been sustained negative like-for-like growth in France and therefore we focussed our work on the risk of impairment against the £524 million of goodwill allocated to the France CGU. The Group's principal accounting policy on goodwill and intangible assets is on page 118. The carrying value of goodwill is a significant issue considered by the Audit Committee as discussed on page 67.
How the scope of our audit responded to the key audit matter	In order to address this key audit matter we audited the assumptions used in the impairment model for goodwill of the France cash generating unit. Our work included: – evaluating the design and implementation of controls in place around the Group's impairment review; – assessing whether management's cash flow forecasts are in compliance with IAS 36 'Impairment of Assets' and specifically that they exclude cash flows not permitted by IAS 36 such as costs and revenue which are considered enhancing; – agreeing the forecast cash flows to the Board approved business plan and challenging the forecast future cash flows for the French CGU in light of historic performance; – assessing historical forecasting accuracy by comparing historic forecasts to actuals; – comparing the long-term growth rates to external economic forecasts; – assessing in conjunction with our valuation specialists the discount rates applied to the impairment review; – assessing the appropriateness of the sensitivities applied by management and whether this gave rise to any impairment; – checking the arithmetic accuracy of the impairment model; and – reviewing the disclosures within the financial statements.
Key observations	We concurred with the judgement made by management that no impairment is required against the French CGU's Goodwill. Based on sensitivity analysis performed using a reasonably possible change in assumptions, no impairment was identified.

Taxation matters: Transfer pricing

Key audit matter description	The Group files tax returns in many jurisdictions and is periodically subject to tax audits in the ordinary course of its business including matters relating to transfer pricing, indirect taxes and transaction-related tax. Applicable tax laws and regulations are subject to differing interpretations and the resolution of a final tax position can take several years to complete. Where it is considered that future tax liabilities are more likely than not to arise, an appropriate provision is recognised in the financial statements. Our key audit matter focussed on the valuation of transfer pricing provisions as we consider this to be the most judgemental area of the provisioning given the range of possible outcomes and the number of tax authorities involved for a multinational Group such as Kingfisher. The Group's principal accounting policy for taxation is on page 120 and the sources of estimation uncertainty for taxation is on page 122. The significant judgements and estimates related to corporate and business taxes are a significant issue considered by the Audit Committee as discussed on page 67 and tax disclosures are given in notes 9, 24 and 35.
How the scope of our audit responded to the key audit matter	We tested the design and implementation of controls around the valuation of transfer pricing provisions. The Group audit team, in conjunction with tax specialists, evaluated the tax positions taken by management in the context of local tax law and tested the accuracy and completeness of transfer pricing provisions which included reviewing the external opinions and other support received from advisers which management has used in assessing the level of transfer pricing provisions to record. We further tested the valuation and accuracy of underlying schedules used to compute the transfer pricing provisions. We also involved our internal transfer pricing specialists to understand the approach taken to transfer pricing, the transactions that flow between Group entities including any changes in approach during the year.
Key observations	We consider the provisions recorded for transfer pricing to be acceptable in the context of the Group's overall tax exposures and our materiality. We consider the overall clarity of disclosure in relation to tax provisioning and the discussion of contingent liabilities to be appropriate.

Classification and presentation of exceptional and adjusted items

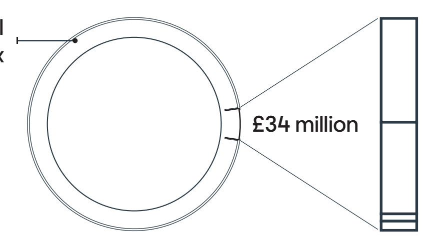
Key audit matter description	The presentation and consistency of costs and income within transformation costs and exceptional items is a key determinant in the assessing the quality of the Group's underlying earnings. For the year ended 31 January 2018, the Group incurred non-exceptional transformation costs of £114 million (2016/17: £44 million) along with a net pre-tax exceptional balance of nil (2016/17: £17 million credit) as shown in note 5. The presentation of certain income and costs as non-GAAP measures under IFRSs is judgemental, with IFRSs only requiring the separate presentation of material items. The exceptional items are expected to be non-recurring and are disclosed separately by virtue of their nature, size or incidence. Management judgement is required in determining whether an item meets the Group's definition of transformation costs or is exceptional and non-recurring. The Group has established definitions of exceptional items and transformation costs. The Group's principal accounting policy on use of non-GAAP measures is on page 116 and the judgements made in applying the accounting policy is on page 122. The treatment and presentation of transformation costs and exceptional items is a significant issue considered by the Audit Committee as discussed on page 67.
How the scope of our audit responded to the key audit matter	We evaluated the design and implementation of controls around the Group's classification of transformation costs and exceptional items. We agreed a sample of exceptional items and transformation costs to supporting evidence. We evaluated the presentation of items, both individually and in aggregate, considering consistency with the Group's definition of transformation costs and exceptional items and latest guidance from the Financial Reporting Council and the European Securities and Markets Authority. For exceptional items, we reviewed management's application of the policy on exceptional items for consistency with previous accounting periods. We also assessed whether the disclosures within the financial statements provide sufficient detail for the reader to understand the nature of these items. For all significant adjustments recorded in calculating underlying profits, we discussed the appropriateness of the item with the Audit Committee and any disclosure considerations.
Key observations	As a result of our work, we are satisfied that the amounts classified as exceptional items and transformation costs are presented in accordance with the Group's stated accounting policy and that the related disclosure of these items in the financial statements is appropriate.

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.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Materiality for the financial statements	£34 million (2016/17: £37 million)	£30.6 million (2016/17: £17.5 million)
Basis for determining materiality	5% (2016/17: 5%) of profit before taxation, before exceptional items as defined in note 2 to the Group financial statements; this is below 1 % (2016/17: below 1%) of equity.	90% (2016/17: 47%) of Group materiality.
Rationale for the benchmark applied	We considered alternative benchmarks, including underlying pre-tax profit, adjusted pre-tax profit, revenue and total assets. In determining our benchmark we considered the focus of the users of the financial statements. Profit before taxation, before exceptional items provides a consistent year on year approach excluding exceptional gains and losses, and is considered to be a relevant performance measure to the Group's stakeholders.	The materiality used is 90% of group materiality. The entity is non-trading and contains an investment in all of the group's trading components.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.5 million (2016/17: £1.5 million) for both the Group and Company financial statements, 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. The Group operates nearly 1,300 stores in 10 countries across Europe. All markets are wholly owned with the exception of Turkey which is a joint venture.

We focused our Group audit scope primarily on all significant trading entities and the Group head office entities which includes 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.

At the parent entity 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 a full audit or audit of specified accounts balances.

These locations represent the principal business units and account for 99% (2016/17: 99%) of the Group's revenue, 97% of the Group's profit before tax (2016/17: 97%) and 93% (2016/17: 95%) of the Group's net assets. The entities which are out of our scope are primarily individually insignificant cost entities and other smaller operations.

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 £2.7 million to £17.5 million (2016/17: £2.4 million to £17.5 million).

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 member of the Group audit team has visited the location.

In the current year, the Group audit team have made 23 (2016/17: 24) visits to component sites and a member of the Group audit team has visited each in-scope subsidiary location at least once.

The most significant components of the Group are its retail businesses in the UK, France and Poland. As such, there is a high level of communication between these teams to ensure an appropriate level of involvement in this audit work. The Senior Statutory Auditor has visited B&Q UK, Screwfix UK, Castorama France, Brico Dépôt France and Castorama Poland at least once in the year.

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.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that: – **Fair, balanced and understandable** – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or – **Audit committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or – **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.	We have nothing to report in respect of these matters.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

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 in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the Audit Committee, we were appointed as auditors by the Directors to fill a casual vacancy on 5 October 2009 and this was approved subsequently by the shareholders on 17 June 2010 to audit the financial statements for the year ending 30 January 2010 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 9 years, covering the years ending 30 January 2010 to 31 January 2018.

Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

Richard Muschamp FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK

20 March 2018

Consolidated income statement

Year ended 31 January 2018

£ millions	Notes	2017/18 Before exceptional items	2017/18 Exceptional items (note 5)	2017/18 Total	2016/17 Before exceptional items	2016/17 Exceptional items (note 5)	2016/17 Total
Sales	4	**11,655**	**–**	**11,655**	11,225	–	11,225
Cost of sales		**(7,352)**	**–**	**(7,352)**	(7,050)	–	(7,050)
Gross profit		**4,303**	**–**	**4,303**	4,175	–	4,175
Selling and distribution expenses		**(2,863)**	**14**	**(2,849)**	(2,758)	21	(2,737)
Administrative expenses		**(782)**	**(15)**	**(797)**	(687)	(5)	(692)
Other income		**24**	**1**	**25**	19	7	26
Share of post-tax results of joint ventures and associates	16	**3**	**–**	**3**	1	–	1
Operating profit		**685**	**–**	**685**	750	23	773
Finance costs		**(19)**	**–**	**(19)**	(21)	(6)	(27)
Finance income		**16**	**–**	**16**	13	–	13
Net finance costs	6	**(3)**	**–**	**(3)**	(8)	(6)	(14)
Profit before taxation	7	**682**	**–**	**682**	742	17	759
Income tax expense	9	**(197)**	**–**	**(197)**	(143)	(6)	(149)
Profit for the year		**485**	**–**	**485**	599	11	610
Earnings per share	10						
Basic				**22.1p**			27.1p
Diluted				**22.0p**			27.0p
Adjusted basic				**21.8p**			24.4p
Adjusted diluted				**21.7p**			24.3p
Underlying basic				**25.5p**			25.9p
Underlying diluted				**25.4p**			25.8p

Reconciliation of non-GAAP underlying and adjusted pre-tax profit:

	Notes	2017/18	2016/17
Underlying pre-tax profit		**797**	787
Transformation costs before exceptional items	4	**(114)**	(44)
Adjusted pre-tax profit		**683**	743
Financing fair value remeasurements		**(1)**	(1)
Exceptional items		**–**	17
Profit before taxation		**682**	759

The proposed final dividend for the year ended 31 January 2018, subject to approval by shareholders at the Annual General Meeting, is 7.49p per share.

Consolidated statement of comprehensive income

Year ended 31 January 2018

£ millions	Notes	2017/18	2016/17
Profit for the year		**485**	610
Actuarial losses on post-employment benefits	26	**(58)**	(50)
Tax on items that will not be reclassified		**16**	11
Total items that will not be reclassified subsequently to profit or loss		**(42)**	(39)
Currency translation differences			
Group		**84**	390
Joint ventures and associates		**(1)**	(1)
Cash flow hedges			
Fair value (losses)/gains		**(93)**	52
Losses/(gains) transferred to inventories		**20**	(60)
Available-for-sale financial assets			
Fair value gains		**–**	5
Transferred to income statement	33	**–**	(7)
Tax on items that may be reclassified	28	**12**	2
Total items that may be reclassified subsequently to profit or loss		**22**	381
Other comprehensive (loss)/income for the year		**(20)**	342
Total comprehensive income for the year		**465**	952

Consolidated statement of changes in equity

Year ended 31 January 2018

£ millions	Notes	Share capital	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves (note 28)	Total equity
At 1 February 2017		**352**	**2,221**	**(23)**	**3,837**	**22**	**362**	**6,771**
Profit for the year		**–**	**–**	**–**	**485**	**–**	**–**	**485**
Other comprehensive (loss)/income for the year		**–**	**–**	**–**	**(42)**	**–**	**22**	**(20)**
Total comprehensive income for the year		**–**	**–**	**–**	**443**	**–**	**22**	**465**
Share-based compensation	29	**–**	**–**	**–**	**8**	**–**	**–**	**8**
New shares issued under share schemes	27	**1**	**7**	**–**	**–**	**–**	**–**	**8**
Own shares issued under share schemes		**–**	**–**	**7**	**(7)**	**–**	**–**	**–**
Purchase of own shares for cancellation	27	**(13)**	**–**	**–**	**(260)**	**13**	**–**	**(260)**
Purchase of own shares for ESOP trust		**–**	**–**	**(13)**	**–**	**–**	**–**	**(13)**
Dividends	11	**–**	**–**	**–**	**(231)**	**–**	**–**	**(231)**
At 31 January 2018		**340**	**2,228**	**(29)**	**3,790**	**35**	**384**	**6,748**
At 1 February 2016		361	2,218	(24)	3,637	13	(19)	6,186
Profit for the year		–	–	–	610	–	–	610
Other comprehensive (loss)/income for the year		–	–	–	(39)	–	381	342
Total comprehensive income for the year		–	–	–	571	–	381	952
Share-based compensation	29	–	–	–	15	–	–	15
New shares issued under share schemes	27	–	3	–	–	–	–	3
Own shares issued under share schemes		–	–	7	(6)	–	–	1
Purchase of own shares for cancellation	27	(9)	–	–	(150)	9	–	(150)
Purchase of own shares for ESOP trust		–	–	(6)	–	–	–	(6)
Dividends	11	–	–	–	(230)	–	–	(230)
At 31 January 2017		352	2,221	(23)	3,837	22	362	6,771

Consolidated balance sheet

At 31 January 2018

£ millions	Notes	2017/18	2016/17
Non-current assets			
Goodwill	12	**2,437**	2,399
Other intangible assets	13	**355**	308
Property, plant and equipment	14	**3,736**	3,589
Investment property	15	**20**	24
Investments in joint ventures and associates	16	**25**	23
Post-employment benefits	26	**214**	239
Deferred tax assets	24	**30**	28
Derivative assets	22	**–**	54
Other receivables	18	**8**	8
		6,825	6,672
Current assets			
Inventories	17	**2,701**	2,173
Trade and other receivables	18	**550**	551
Derivative assets	22	**41**	36
Current tax assets		**–**	6
Cash and cash equivalents	19	**230**	795
		3,522	3,561
Total assets		**10,347**	10,233
Current liabilities			
Trade and other payables	20	**(2,666)**	(2,495)
Borrowings	21	**(140)**	(14)
Derivative liabilities	22	**(79)**	(26)
Current tax liabilities		**(140)**	(141)
Provisions	25	**(25)**	(63)
		(3,050)	(2,739)
Non-current liabilities			
Other payables	20	**(61)**	(50)
Borrowings	21	**(36)**	(184)
Deferred tax liabilities	24	**(264)**	(282)
Provisions	25	**(73)**	(99)
Post-employment benefits	26	**(115)**	(108)
		(549)	(723)
Total liabilities		**(3,599)**	(3,462)
Net assets	4	**6,748**	6,771
Equity			
Share capital	27	**340**	352
Share premium		**2,228**	2,221
Own shares held in ESOP trust		**(29)**	(23)
Retained earnings		**3,790**	3,837
Capital redemption reserve		**35**	22
Other reserves	28	**384**	362
Total equity		**6,748**	6,771

The financial statements were approved by the Board of Directors on 20 March 2018 and signed on its behalf by:

Véronique Laury
Chief Executive Officer

Karen Witts
Chief Financial Officer

Consolidated cash flow statement

Year ended 31 January 2018

£ millions	Notes	2017/18	2016/17
Operating activities			
Cash generated by operations	30	**475**	925
Income tax paid		**(182)**	(144)
Net cash flows from operating activities		**293**	781
Investing activities			
Purchase of property, plant and equipment and intangible assets	4	**(368)**	(406)
Purchase of businesses, net of cash acquired	32	**(12)**	–
Disposal of property, plant and equipment, investment property and intangible assets		**6**	20
Disposal of B&Q China	33	**–**	63
Decrease in short-term deposits		**–**	70
Interest received		**11**	5
Net cash flows used in investing activities		**(363)**	(248)
Financing activities			
Interest paid		**(10)**	(10)
Interest element of finance lease rental payments		**(2)**	(2)
Repayment of bank loans		**(7)**	(2)
Repayment of fixed term debt		**–**	(47)
Receipt on financing derivatives		**–**	10
Capital element of finance lease rental payments		**(11)**	(12)
New shares issued under share schemes		**8**	3
Own shares issued under share schemes		**–**	1
Purchase of own shares for ESOP trust		**(13)**	(6)
Purchase of own shares for cancellation		**(260)**	(200)
Ordinary dividends paid to equity shareholders of the Company		**(231)**	(230)
Net cash flows from financing activities		**(526)**	(495)
Net (decrease)/increase in cash and cash equivalents and bank overdrafts		**(596)**	38
Cash and cash equivalents and bank overdrafts at beginning of year		**795**	654
Exchange differences		**31**	103
Cash and cash equivalents and bank overdrafts at end of year	19	**230**	795

Notes to the consolidated financial statements

1 General information

Kingfisher plc ('the Company'), its subsidiaries, joint ventures and associates (together 'the Group') supply home improvement products and services through a network of retail stores and other channels, located mainly in the United Kingdom and continental Europe. The nature of the Group's operations and its principal activities is set out in the Strategic Report on pages 2 to 48.

The Company is incorporated in England, United Kingdom, and is listed on the London Stock Exchange. The address of its registered office is 3 Sheldon Square, Paddington, London W2 6PX. A full list of related undertakings of the Company and their registered offices is given in note 16 of the Company's separate financial statements.

These consolidated financial statements have been approved for issue by the Board of Directors on 20 March 2018.

2 Principal accounting policies

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

a. Basis of preparation

The consolidated financial statements of the Company, its subsidiaries, joint ventures and associates are made up to 31 January, except as disclosed in note 16 of the consolidated financial statements and in note 4 of the Company's separate financial statements. The current financial year is the calendar year ended 31 January 2018 ('the year' or '2017/18'). The comparative financial year is the calendar year ended 31 January 2017 ('the prior year' or '2016/17'). The consolidated income statement and related notes represent results for continuing operations, there being no discontinued operations in the years presented.

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 2018. Refer to the Strategic Report on page 48.

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 amendment, which is mandatory for the first time for the financial year ended 31 January 2018, is relevant for the Group:

– Amendments to IAS 7, 'Statement of Cash Flows' (effective from the Group's 2017/18 financial year).

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:

– 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).

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments Recognition and Measurement'. The standard is effective for accounting periods beginning on or after 1 January 2018 and changes some requirements for the measurement and classification of financial instruments, impairment of financial assets and certain elements of hedge accounting. The standard introduces a new impairment model based on expected credit losses. Hedge accounting requirements are designed to allow hedge accounting to be more closely aligned with an entity's risk management strategy.

Kingfisher will adopt IFRS 9 on 1 February 2018 and apply the standard prospectively with no retrospective adjustments required. A detailed assessment of the new standard has been undertaken and concluded that there are no material impacts on the consolidated financial statements, except for additional disclosure requirements relating to hedge accounting. The new disclosures include a requirement for a much more detailed qualitative description of the entity's risk management strategy.

IFRS 15 'Revenue from Contracts with Customers' supersedes IAS 18 'Revenue' and establishes a principles-based approach to revenue recognition and measurement based on the concept of recognising revenue when performance obligations are satisfied. As described in note 2 (d) below, the majority of the Group's revenue is recognised at the point of sale, therefore the new standard will not have a material effect on the financial statements or the amount, timing or nature of revenue recognised by the Group.

IFRS 16 'Leases' supersedes IAS 17 'Leases' and has been endorsed by the European Union. The most significant changes are in relation to lessee accounting. Under IFRS 16 the lessee will recognise a right-of-use asset and a lease liability for all leases currently accounted for as operating leases, with the exception of leases for a short period (less than 12 months) and those for items of low value. The asset will be depreciated over the term of the lease, whilst interest will be charged on the liability over the same period. The Group anticipates that the adoption of IFRS 16 will have a significant impact on the primary financial statements, including an impact on the operating profit, profit before tax, total assets and total liabilities lines.

The project is being led by Group Finance and has a steering committee in place to provide appropriate oversight and governance. The IFRS 16 implementation project continues to collect required lease information and progress work on policies, processes and systems to support the transition. The impact of the standard on the Group is currently being assessed and therefore it is not yet practicable to provide a full estimate of its effect. The undiscounted amount of the Group's operating lease commitments at 31 January 2018 disclosed under IAS 17, the current leasing standard, was £3.4 billion (see note 34).

Other new standards and interpretations which are in issue but not yet effective are not expected to have a material impact on the consolidated financial statements.

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

2 Principal accounting policies continued

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

Use of non-GAAP measures

In the reporting of financial information, the Group uses certain measures that are not required under IFRS, the generally accepted accounting principles ('GAAP') under which the Group reports. Kingfisher believes that retail profit, underlying pre-tax profit, adjusted pre-tax profit, effective tax rate, underlying earnings per share and adjusted earnings per share provide additional useful information on performance and trends to shareholders. These and other non-GAAP measures (also known as 'Alternative Performance Measures'), such as net cash, are used by Kingfisher for internal performance analysis and incentive compensation arrangements for employees. The terms 'retail profit', 'exceptional items', 'transformation costs', 'underlying', 'adjusted', 'effective tax rate' and 'net 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, the Group's share of interest and tax of joint ventures and associates, transformation costs and exceptional items. It includes the sustainable benefits of the transformation plan. Central costs principally comprise the costs of the Group's head office before transformation costs.

The separate reporting of exceptional items, which are presented as exceptional within their relevant income statement category, helps provide an indication of the Group's ongoing 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, including certain restructuring costs of the Group's five year transformation plan launched in 2016/17, 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, related tax items and prior year tax items (including the impact of changes in tax rates on deferred tax). 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 hedged items of a financing nature.

The term 'underlying' refers to the relevant adjusted measure being reported before non-exceptional transformation costs. Non-exceptional transformation costs represent the additional costs that arise only as a result of the transformation plan launched in 2016/17, which either because of their nature or the length of the period over which they are incurred are not considered as exceptional items. These costs principally relate to the unified and unique offer range implementation and the digital strategic initiative. The separate reporting of such costs (in addition to exceptional items) helps provide an indication of the Group's underlying business performance, which includes the sustainable benefits of the transformation plan.

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. The exclusion of items relating to prior years, and those not in the ordinary course of business, helps provide a better indication of the Group's ongoing rate of tax.

Net cash comprises cash and cash equivalents and short-term deposits less borrowings and financing derivatives (excluding accrued interest). 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 on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of acquired subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Joint ventures and associates
Joint ventures are entities over which the Group has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The equity method is used to account for the Group's investments in joint ventures.

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

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

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

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

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 (being the date of transition to IFRS) are recognised in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rates of exchange at the balance sheet date. Goodwill arising prior to 1 February 2004 is denominated in Sterling, and not subsequently retranslated.

(iv) Principal rates of exchange against Sterling

	2017/18		2016/17	
	Average rate	**Year end rate**	Average rate	Year end rate
Euro	**1.14**	**1.14**	1.21	1.16
US Dollar	**1.30**	**1.42**	1.34	1.26
Polish Zloty	**4.83**	**4.75**	5.28	5.03
Russian Rouble	**75.53**	**79.74**	87.98	75.72

d. Revenue recognition

Sales represent the supply of home improvement products and services. Sales exclude transactions made between companies within the Group, Value Added Tax, other sales-related taxes and are net of returns, trade and staff discounts.

Revenue relating to sales of in-store products is generally recognised at the point of cash receipt. Where customers have a right to return purchased goods in exchange for a refund, a liability for returns is recognised based on historic trends and offset against revenue in the period in which the sale was made.

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.

2 Principal accounting policies continued

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 primarily comprised of external rental income and gains or 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 credited to the Cost of sales in the income statement when the relevant conditions have been fulfilled.

f. Dividends

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

g. Intangible assets

(i) Goodwill

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

Goodwill is carried at cost less accumulated impairment losses. Goodwill is not amortised and is tested annually for impairment 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 pre-tax discount rates are derived from the Group's weighted average cost of capital, taking into account the cost of capital and borrowings, to which specific market-related premium adjustments are made for each country in which the GCU operates. When the recoverable amount of the goodwill is less than its carrying amount, an impairment loss is recognised immediately in the income statement which cannot subsequently be reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Computer software

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

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

Costs 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 less accumulated depreciation.

(ii) Depreciation

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

Freehold land	not depreciated
Freehold 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 pre-tax discount rates are derived from the Group's weighted average cost of capital, taking into account the cost of capital and borrowings, to which specific market-related premium adjustments are made for each country. 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. 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 other comprehensive income of any gains or losses on qualifying cash flow hedges relating to purchases.

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

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.

2 Principal accounting policies continued

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.

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

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

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

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 and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. 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. Credits or charges arising from changes in the rate used to discount the provisions are recognised within net finance costs.

Contingent liabilities are possible obligations arising from past events, whose existence will only be confirmed by future uncertain events that are not wholly within the Group's control, or present obligations where it is not probable that an outflow of resources will be required or the amount of the obligation cannot be reliably measured. If the outflow of economic resources is not considered remote, contingent liabilities are disclosed but not recognised in the financial statements.

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. Any dividends received are recognised in the income statement. 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. 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 in other comprehensive income. If the Group uses derivatives as the hedging instrument, the effective portion of the hedge is recognised in other comprehensive income, with any ineffective portion being recognised immediately in the income statement. Gains and losses accumulated in other comprehensive income 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 is retained in other comprehensive income 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 significant judgements applied in the preparation of the financial statements, along with estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below.

Sources of estimation uncertainty

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 stock turn, range or delisted status, shrinkage, damage, obsolescence and range review activity. The quantity, age and condition of inventories are regularly measured and assessed as part of range reviews and inventory counts undertaken throughout the year and across the Group. Refer to note 17 for further information.

During the year, the Group has continued to unify its product offer, requiring judgements over the net realisable value of certain ranges being removed from the business. Furthermore, the level of inventory held at the year end has increased in comparison with the prior year, which has required additional assessment of those items that will become obsolete and the expected net realisable value of those items that will be sold.

Rebates

Volume-based rebates represent the significant majority of the Group's 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, limited principally to recognition of rebates earned in the month of January.

Judgement is required over the recoverability of receivables relating to rebates. The amount of rebates due from suppliers at the balance sheet date is disclosed in note 18.

Income taxes

The Group is subject to income taxes in numerous jurisdictions in which it operates and there are many transactions for which the ultimate tax determination is open to differing interpretations during the ordinary course of business. Significant judgement may therefore be required in determining the provision for income taxes in each of these territories. Where it is anticipated that additional taxes are probable, the Group recognises liabilities for the estimate of any potential exposure. These estimates are continually reassessed, and where the final outcome of these matters is different from the initially recorded amount, such differences will impact the income tax and deferred tax 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 other comprehensive income as appropriate, and are disclosed in the notes to the accounts. Refer to notes 9, 24 and 35 for further information.

During the year, judgements have been required around the likelihood of future tax liabilities arising for a dispute with the French tax authority regarding the treatment of interest paid, and for the European Commission's state aid investigation, for which further details are given in note 35.

Restructuring and onerous lease 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 25 for further information.

During the prior year, the Group entered into a lease liability transaction with a third party to dispose of a number of UK leases following the closure of these stores. The residual lease liability for these properties remains with the Group, and therefore the related onerous lease provisions continue to be recorded.

The continued progress made with the lease liability transaction during the year has contributed to a reduction in the level of overall provisions held, however the remaining balance remains significant.

Post-employment benefits

The present value of the defined benefit liabilities recognised on the balance sheet is dependent on a number of market rates and assumptions including interest rates of high quality corporate bonds, inflation and mortality rates. The net interest expense or income is dependent on the interest rates of high quality corporate bonds and the net deficit or surplus position. The market rates and assumptions are based on the conditions at the time and changes in these can lead to significant movements in the estimated obligations. To help the reader understand the impact of changes in the key market rates and assumptions, a sensitivity analysis is provided in note 26.

Judgements made in applying accounting policies

Exceptional items and transformation costs

The Group separately reports exceptional items and transformation costs in order to calculate adjusted and underlying results, as it believes these measures provide additional useful information on underlying performance and trends to shareholders.

Judgement is required in determining whether an item should be classified as a non-exceptional transformation cost, exceptional item or included within underlying results.

The Group's definitions of exceptional items and transformation costs are outlined in note 2 (a) and have been applied consistently year on year. Refer to notes 4, 5 and 37 for further information on transformation costs and exceptional items recorded in the year and after the balance sheet date. As noted on page 67 this is a key area of focus for the Audit Committee where there has been challenge across the year.

4 Segmental analysis

Income statement

£ millions	2017/18				
			Other International		
	UK & Ireland	France	Poland	Other	Total
Sales	**5,003**	**4,387**	**1,384**	**881**	**11,655**
Retail profit	**375**	**320**	**170**	**(16)**	**849**
Central costs					**(46)**
Share of interest and tax of joint ventures and associates					**(4)**
Transformation costs before exceptional items					**(114)**
Operating profit					**685**
Net finance costs					**(3)**
Profit before taxation					**682**

£ millions	2016/17				
			Other International		
	UK & Ireland	France	Poland	Other	Total
Sales	4,979	4,254	1,191	801	11,225
Retail profit	358	353	144	(8)	847
Central costs					(48)
Share of interest and tax of joint ventures and associates					(5)
Transformation costs before exceptional items					(44)
Exceptional items					23
Operating profit					773
Net finance costs					(14)
Profit before taxation					759

Balance sheet

£ millions	2017/18				
			Other International		
	UK & Ireland	France	Poland	Other	Total
Segment assets	**1,589**	**1,643**	**685**	**477**	**4,394**
Central liabilities					**(151)**
Goodwill					**2,437**
Net cash					**68**
Net assets					**6,748**

£ millions	2016/17				
			Other International		
	UK & Ireland	France	Poland	Other	Total
Segment assets	1,416	1,410	606	454	3,886
Central liabilities					(155)
Goodwill					2,399
Net cash					641
Net assets					6,771

4 Segmental analysis continued

Other segmental information

	2017/18					
			Other International			
	UK & Ireland	France	Poland	Other	Central	Total
Capital expenditure	**141**	**79**	**63**	**62**	**23**	**368**
Depreciation and amortisation	**122**	**84**	**22**	**20**	**6**	**254**
Net impairment losses/(gains)	**–**	**1**	**(1)**	**1**	**–**	**1**
Non-current assets[1]	**3,326**	**2,105**	**678**	**435**	**29**	**6,573**

	2016/17					
			Other International			
	UK & Ireland	France	Poland	Other	Central	Total
Capital expenditure	215	95	45	34	17	406
Depreciation and amortisation	132	80	20	19	2	253
Impairment losses	3	6	2	3	–	14
Non-current assets[1]	3,307	2,063	599	350	24	6,343

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 before transformation costs. Central liabilities comprise unallocated head office and other central items including pensions, insurance, interest and tax.

Transformation costs before exceptional items principally relate to the unified and unique offer range implementation and the digital strategic pillar, with £42m (2016/17: £19m) included within selling and distribution expenses and £72m (2016/17: £25m) included within administrative expenses.

5 Exceptional items

£ millions	2017/18	2016/17
Included within selling and distribution expenses		
UK & Ireland and continental Europe restructuring	**12**	21
Brico Dépôt Romania impairment reversal	**2**	–
	14	21
Included within administrative expenses		
Transformation exceptional costs	**(15)**	(5)
	(15)	(5)
Included within other income		
Profit on disposal of properties	**1**	4
Profit on disposal of B&Q China	**–**	3
	1	7
Included within net finance costs		
UK & Ireland and continental Europe restructuring	**–**	(6)
	–	(6)
Exceptional items before tax	**–**	17
Tax on exceptional items	**–**	(6)
Exceptional items	**–**	11

Current year exceptional items include a £12m credit principally arising due to savings on B&Q store exit costs as compared with the original restructuring provisions recognised.

In the prior year, a net credit of £21m was recognised relating principally to savings on B&Q store exit costs, offset by store asset impairments relating to the closure of loss-making stores in continental Europe. In addition, a £6m exceptional interest charge relating to the reduction in discount rate used to measure the overall UK restructuring provision was recognised.

A £2m impairment reversal has been recognised in the current year relating to the reversal of store impairments (previously charged to exceptional items in 2015/16) in the Brico Dépôt Romania business, as a result of a sustained improvement in the performance of those stores.

Transformation exceptional costs of £15m have been recorded in the year driven by people changes associated with restructuring in the UK and other costs relating to the Group's five year transformation plan. These include the move of transactional processing activity from the UK to a shared service centre in Poland.

In the prior year, a profit of £3m was recognised on disposal of the Group's remaining 30% stake in B&Q China.

6 Net finance costs

£ millions	2017/18	2016/17
Bank overdrafts and bank loans	**(10)**	(10)
Fixed term debt	**(2)**	(2)
Finance leases	**(2)**	(2)
Financing fair value remeasurements	**(1)**	(1)
Unwinding of discount on provisions	**(1)**	(7)
Capitalised interest	**2**	–
Other interest payable	**(5)**	(5)
Finance costs	**(19)**	(27)
Cash and cash equivalents and short term deposits	**8**	6
Net interest income on defined benefit pension schemes	**5**	7
Other interest income	**3**	–
Finance income	**16**	13
Net finance costs	**(3)**	(14)

Fixed term debt interest includes net interest income accrued on derivatives of £8m (2016/17: £8m income) and amortisation of issue costs of borrowings of £1m (2016/17: £nil).

Financing fair value remeasurements comprise a net loss on derivatives, excluding accrued interest, of £30m (2016/17: £10m loss), offset by a net gain from fair value adjustments to the carrying value of borrowings and cash of £29m (2016/17: £9m gain).

In the prior year, the £7m charge relating to the unwinding of discount on provisions included a £6m exceptional finance charge relating to the reduction in discount rate used to measure the overall UK restructuring provision.

7 Profit before taxation

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

£ millions	2017/18	2016/17
Sales	**11,655**	11,225
Other income	**25**	26
Finance income	**16**	13
Revenue	**11,696**	11,264

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

£ millions	2017/18	2016/17
Operating lease rentals		
Minimum lease payments – Property[1]	**408**	399
Minimum lease payments – Equipment	**36**	32
Sublease income	**(1)**	(1)
	443	430
Research and development recognised as an expense	**15**	3
Rental income received on investment property	**(2)**	(2)
Amortisation of intangible assets[2]	**56**	58
Depreciation of property, plant and equipment and investment property:		
Owned assets	**189**	187
Under finance leases	**9**	8
Impairment of intangible assets	**–**	4
Impairment of property, plant and equipment	**5**	10
Reversal of impairment of property, plant and equipment and investment property	**(4)**	–
(Gain)/loss on disposal:		
Land and buildings and investment property	**(1)**	(4)
Fixtures, fittings and equipment	**3**	8
Write down to recoverable value of trade and other receivables	**5**	4

1. Excludes rentals provided against as part of exceptional restructuring provision (see note 25).
2. Of the amortisation of intangible assets charge, £1m (2016/17: £1m) and £55m (2016/17: £57m) are included in selling and distribution expenses and administrative expenses respectively.

Auditor's remuneration

£ millions	2017/18	2016/17
Fees payable for the audit of the Company and consolidated financial statements	**0.4**	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	**1.3**	1.2
Audit fees	**1.7**	1.6
Audit-related assurance services	**0.1**	0.1
Other assurance services	**0.3**	0.2
Non-audit fees	**0.4**	0.3
Auditor's remuneration	**2.1**	1.9

Details of the Group's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity were safeguarded are set out in the Audit Committee Report on pages 68 to 69. No services were provided pursuant to contingent fee arrangements.

8 Employees and directors

£ millions	2017/18	2016/17
Wages and salaries	**1,416**	1,342
Social security costs	**276**	259
Post-employment benefits		
Defined contribution	**26**	23
Defined benefit (service cost)	**11**	9
Share-based compensation	**8**	15
Employee benefit expenses	**1,737**	1,648

Number thousands	2017/18	2016/17
Stores	**72**	71
Administration	**6**	6
Average number of persons employed	**78**	77

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

Remuneration of key management personnel

£ millions	2017/18	2016/17
Short-term employee benefits	**6.4**	6.7
Post-employment benefits	**0.5**	0.4
Termination benefits	**0.7**	1.2
Share-based compensation	**3.8**	5.0
	11.4	13.3

The Group defines key management personnel as being those members of the Board of Directors and the Group Executive.

Further detail with respect to the Directors' remuneration is set out in the Directors' Remuneration Report on pages 70 to 93. Other than as set out in the Directors' Remuneration Report, there have been no transactions with key management during the year (2016/17: £nil).

9 Income tax expense

£ millions	2017/18	2016/17
UK corporation tax		
Current tax on profits for the year	**(32)**	(66)
Adjustments in respect of prior years	**(8)**	10
	(40)	(56)
Overseas tax		
Current tax on profits for the year	**(152)**	(155)
Adjustments in respect of prior years	**(2)**	(11)
	(154)	(166)
Deferred tax		
Current year	**(20)**	22
Adjustments in respect of prior years	**1**	16
Adjustments in respect of changes in tax rates	**16**	35
	(3)	73
Income tax expense	**(197)**	(149)

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 19% (2016/17: 20%). The differences are explained below:

£ millions	2017/18	2016/17
Profit before taxation	**682**	759
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2016/17: 20%)	**(130)**	(152)
Net expense not deductible for tax purposes	**(5)**	(5)
Temporary differences:		
Losses not recognised	**(2)**	(2)
Foreign tax rate differences	**(67)**	(40)
Adjustments in respect of prior years	**(9)**	15
Adjustments in respect of changes in tax rates	**16**	35
Income tax expense	**(197)**	(149)

The effective tax rate on profit before exceptional items and excluding prior year tax adjustments and the impact of changes in tax rates on deferred tax is 30% (2016/17: 26%). The increase in the effective tax rate is largely due to a one-off French tax surcharge in 2017/18. Tax on exceptional items for the year amount to a charge of £nil. In 2016/17 tax on exceptional items amounted to a charge of £6m, including a credit of £1m relating to prior year items. The effective tax rate calculation is set out in the Financial Review on page 35.

The overall tax rate for the year is 29% (2016/17: 20%). This predominately reflects enacted rate changes in France, where the rate applicable to the current year was increased retrospectively by 10%, offset by further rate reductions that are due to have a progressive effect from 2019/20. These have resulted in an increased current tax charge and additional deferred tax credits in the year respectively. In addition, movements on prior year provisions reflect a reassessment of expected outcomes, agreed positions with tax authorities and items that have time expired.

In addition to the amounts charged to the income statement, tax of £28m has been credited directly to equity (2016/17: £13m credit) of which a £2m credit (2016/17: £5m credit) is included in current tax and a £26m credit (2016/17: £8m credit) is included in deferred tax. This principally relates to cash flow hedges and post-employment benefits.

Changes in tax rates

The UK corporation tax rate fell from 20% to 19% from 1 April 2017 and has been legislated to fall to 17% from 1 April 2020. The surcharge in France that retrospectively increased the applicable rate to 44.43% in the current year was a one-off and will not apply in future periods. New legislation enacted in the year will progressively reduce the applicable rate in France to 25.83% by 2022/23, with the first reduction applicable to Kingfisher Group companies from 1 January 2019 when the rate will become 32.02%. The intervening rates applicable will be 28.92% (2020/21) and 27.37% (2021/22).

10 Earnings per share

	2017/18			2016/17		
	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	**485**	**2,192**	**22.1**	610	2,256	27.1
Effect of dilutive share options	**–**	**9**	**(0.1)**	–	7	(0.1)
Diluted earnings per share	**485**	**2,201**	**22.0**	610	2,263	27.0
Basic earnings per share	**485**	**2,192**	**22.1**	610	2,256	27.1
Exceptional items before tax	**–**		**–**	(17)		(0.8)
Tax on exceptional and prior year items	**(7)**		**(0.3)**	(43)		(2.0)
Financing fair value remeasurements	**1**		**–**	1		0.1
Adjusted basic earnings per share	**479**	**2,192**	**21.8**	551	2,256	24.4
Transformation costs before exceptional items	**114**		**5.2**	44		2.0
Tax on transformation costs before exceptional items	**(35)**		**(1.5)**	(11)		(0.5)
Underlying basic earnings per share	**558**	**2,192**	**25.5**	584	2,256	25.9
Diluted earnings per share	**485**	**2,201**	**22.0**	610	2,263	27.0
Exceptional items before tax	**–**		**–**	(17)		(0.8)
Tax on exceptional and prior year items	**(7)**		**(0.3)**	(43)		(2.0)
Financing fair value remeasurements	**1**		**–**	1		0.1
Adjusted diluted earnings per share	**479**	**2,201**	**21.7**	551	2,263	24.3
Transformation costs before exceptional items	**114**		**5.2**	44		2.0
Tax on transformation costs before exceptional items	**(35)**		**(1.5)**	(11)		(0.5)
Underlying diluted earnings per share	**558**	**2,201**	**25.4**	584	2,263	25.8

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	**2017/18**	2016/17
Dividends paid to equity shareholders of the Company		
Ordinary interim dividend for the year ended 31 January 2018 of 3.33p per share (31 January 2017: 3.25p per share)	**72**	73
Ordinary final dividend for the year ended 31 January 2017 of 7.15p per share (31 January 2016: 6.92p per share)	**159**	157
	231	230

The proposed final dividend for the year ended 31 January 2018 of 7.49p per ordinary share (amounting to £162m, based on the issued share capital at the year end) is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

12 Goodwill

£ millions	
Cost	
At 1 February 2017	**2,414**
Additions	**36**
Exchange differences	**2**
At 31 January 2018	**2,452**
Impairment	
At 1 February 2017	**(15)**
At 31 January 2018	**(15)**
Net carrying amount	
At 31 January 2018	**2,437**
Cost	
At 1 February 2016	2,412
Exchange differences	2
At 31 January 2017	2,414
Impairment	
At 1 February 2016	(15)
At 31 January 2017	(15)
Net carrying amount	
At 31 January 2017	2,399

During the year the Group acquired Praktiker Romania S.A. resulting in additions to goodwill of £36m (see note 32).

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 2018					
Cost	**1,796**	**524**	**81**	**51**	**2,452**
Impairment	**–**	**–**	**–**	**(15)**	**(15)**
Net carrying amount	**1,796**	**524**	**81**	**36**	**2,437**
At 31 January 2017					
Cost	1,796	522	81	15	2,414
Impairment	–	–	–	(15)	(15)
Net carrying amount	1,796	522	81	–	2,399

The recoverable amounts of the CGUs have been determined based on value-in-use calculations.

The groups of CGUs for which the carrying amount of goodwill is deemed significant are the UK, France, Poland and Romania. The key assumptions used for value-in-use calculations are set out below.

Assumptions

The cash flow projections are based on approved strategic plans covering a three-year period. These are based on both past performance and expectations for future market development. The projections reflect certain benefits of the 'ONE Kingfisher' plan, including creating a unified, unique and leading offer and optimising operational efficiency. For further details, refer to the Strategic Report on pages 2 to 48.

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 certain elements of the Group's transformation plan. They assume sales increases in each country that are higher than recent experience and market growth expectations, driven largely by an improved offer and price reinvestment. 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 three-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 pre-tax discount rates are derived from the Group's weighted average cost of capital, taking into account the cost of capital and borrowings, to which specific market-related premium adjustments are made for each country in which the CGU operates.

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

	2017/18			
Annual % rate	**UK**	**France**	**Poland**	**Romania**
Discount rate	**8.5**	**8.8**	**10.1**	**13.0**
Long-term growth rate	**3.2**	**2.6**	**3.5**	**3.9**

	2016/17		
Annual % rate	UK	France	Poland
Discount rate	8.4	7.3	10.6
Long-term growth rate	3.2	2.3	3.1

13 Other intangible assets

£ millions	Computer software	Other	Total
Cost			
At 1 February 2017	**708**	**14**	**722**
Acquisition of subsidiaries	**–**	**1**	**1**
Additions	**100**	**–**	**100**
Disposals	**(170)**	**–**	**(170)**
Exchange differences	**5**	**–**	**5**
At 31 January 2018	**643**	**15**	**658**
Amortisation			
At 1 February 2017	**(405)**	**(9)**	**(414)**
Charge for the year	**(56)**	**–**	**(56)**
Disposals	**170**	**–**	**170**
Exchange differences	**(3)**	**–**	**(3)**
At 31 January 2018	**(294)**	**(9)**	**(303)**
Net carrying amount			
At 31 January 2018	**349**	**6**	**355**
Cost			
At 1 February 2016	610	12	622
Additions	92	–	92
Disposals	(2)	–	(2)
Exchange differences	8	2	10
At 31 January 2017	708	14	722
Amortisation			
At 1 February 2016	(339)	(7)	(346)
Charge for the year	(57)	(1)	(58)
Impairment losses	(4)	–	(4)
Disposals	2	–	2
Exchange differences	(7)	(1)	(8)
At 31 January 2017	(405)	(9)	(414)
Net carrying amount			
At 31 January 2017	303	5	308

Additions in the current and prior 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 2017	**3,183**	**2,760**	**5,943**
Additions	**103**	**192**	**295**
Acquisition of subsidiaries	**3**	**6**	**9**
Disposals	**(9)**	**(124)**	**(133)**
Exchange differences	**42**	**25**	**67**
At 31 January 2018	**3,322**	**2,859**	**6,181**
Depreciation			
At 1 February 2017	**(488)**	**(1,866)**	**(2,354)**
Charge for the year	**(43)**	**(155)**	**(198)**
Impairment reversals	**3**	**1**	**4**
Impairment losses	**(2)**	**(3)**	**(5)**
Disposals	**7**	**121**	**128**
Exchange differences	**(3)**	**(17)**	**(20)**
At 31 January 2018	**(526)**	**(1,919)**	**(2,445)**
Net carrying amount			
At 31 January 2018	**2,796**	**940**	**3,736**
Cost			
At 1 February 2016	2,841	2,617	5,458
Additions	117	201	318
Disposals	(35)	(187)	(222)
Transfers to investment property	(3)	–	(3)
Exchange differences	263	129	392
At 31 January 2017	3,183	2,760	5,943
Depreciation			
At 1 February 2016	(430)	(1,816)	(2,246)
Charge for the year	(41)	(154)	(195)
Impairment losses	(7)	(3)	(10)
Disposals	24	178	202
Exchange differences	(34)	(71)	(105)
At 31 January 2017	(488)	(1,866)	(2,354)
Net carrying amount			
At 31 January 2017	2,695	894	3,589
Assets in the course of construction included above at net carrying amount			
At 31 January 2018	**64**	**81**	**145**
At 31 January 2017	26	52	78
Assets held under finance leases included above at net carrying amount			
At 31 January 2018	**11**	**30**	**41**
At 31 January 2017	14	27	41

Net impairment losses of £1m have been recorded in the year (2016/17: £10m). In the prior year, of the £10m impairment loss recorded, £8m related to the UK and continental Europe exceptional restructuring programmes as described 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 capitalised borrowing costs included within property, plant and equipment, net of depreciation, is £27m (2016/17: £27m).

Land and buildings are analysed as follows:

				2017/18	2016/17
£ millions	Freehold	Long leasehold	Short leasehold	Total	Total
Cost	**2,736**	**184**	**402**	**3,322**	3,183
Depreciation	**(237)**	**(36)**	**(253)**	**(526)**	(488)
Net carrying amount	**2,499**	**148**	**149**	**2,796**	2,695

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 2018 is £144m (2016/17: £127m).

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 £3.5bn (2016/17: £3.4bn) on a sale and leaseback basis with Kingfisher in occupancy. The key assumption used in calculating this is the estimated yields. Property, plant and equipment market valuations are considered to have been determined by level 3 inputs as defined by the fair value hierarchy of IFRS 13, 'Fair value measurement'. 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 2017	**36**
Disposals	**(9)**
At 31 January 2018	**27**
Depreciation	
At 1 February 2017	**(12)**
Disposals	**6**
Exchange differences	**(1)**
At 31 January 2018	**(7)**
Net carrying amount	
At 31 January 2018	**20**
Cost	
At 1 February 2016	37
Transfers from property, plant and equipment	3
Disposals	(4)
At 31 January 2017	36
Depreciation	
At 1 February 2016	(12)
At 31 January 2017	(12)
Net carrying amount	
At 31 January 2017	24

A property valuation exercise is performed for internal purposes annually as described in note 14. Based on this exercise the fair value of investment property is £47m (2016/17: £36m). All the investment property 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'.

16 Investments in joint ventures and associates

£ millions	
At 1 February 2017	**23**
Share of post-tax results	**3**
Exchange differences	**(1)**
At 31 January 2018	**25**
At 1 February 2016	23
Share of post-tax results	1
Exchange differences	(1)
At 31 January 2017	23

No goodwill is included in the carrying amount of investments in joint ventures and associates (2016/17: £nil).

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

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

1. The financial statements of these companies are prepared to 31 December.

Aggregate amounts relating to joint ventures and associates:

	2017/18			2016/17		
£ millions	**Joint ventures**	**Associates**	**Total**	Joint ventures	Associates	Total
Non-current assets	**16**	**2**	**18**	19	2	21
Current assets	**44**	**58**	**102**	40	59	99
Current liabilities	**(40)**	**(45)**	**(85)**	(39)	(47)	(86)
Non-current liabilities	**(10)**	**–**	**(10)**	(11)	–	(11)
Share of net assets	**10**	**15**	**25**	9	14	23
Sales	**150**	**11**	**161**	159	10	169
Operating expenses	**(143)**	**(11)**	**(154)**	(154)	(9)	(163)
Operating profit	**7**	**–**	**7**	5	1	6
Net finance costs	**(3)**	**–**	**(3)**	(5)	–	(5)
Profit before taxation	**4**	**–**	**4**	–	1	1
Income tax expense	**(1)**	**–**	**(1)**	–	–	–
Share of post-tax results	**3**	**–**	**3**	–	1	1

17 Inventories

£ millions	**2017/18**	2016/17
Finished goods for resale	**2,701**	2,173

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 2018 is £6,710m (2016/17: £6,449m).

18 Trade and other receivables

£ millions	2017/18	2016/17
Non-current		
Prepayments	**7**	7
Property receivables	**1**	1
	8	8
Current		
Trade receivables	**66**	65
Provision for bad and doubtful debts	**(5)**	(5)
Net trade receivables	**61**	60
Property receivables	**10**	3
Prepayments	**124**	131
Rebates due from suppliers	**274**	287
Other receivables	**81**	70
	550	551
Trade and other receivables	**558**	559

The fair values of trade and other receivables approximate to their carrying amounts. Refer to note 23 for information on the credit risk associated with trade and other receivables.

19 Cash and cash equivalents

£ millions	2017/18	2016/17
Cash at bank and in hand	**202**	209
Other cash and cash equivalents	**28**	586
Cash and cash equivalents	**230**	795

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 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.

20 Trade and other payables

£ millions	2017/18	2016/17
Current		
Trade payables	**1,552**	1,431
Other taxation and social security	**243**	232
Deferred income	**146**	138
Accruals and other payables	**725**	694
	2,666	2,495
Non-current		
Accruals and other payables	**61**	50
Trade and other payables	**2,727**	2,545

Accruals and other payables 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.

21 Borrowings

£ millions	2017/18	2016/17
Current		
Bank loans	**2**	3
Fixed term debt	**125**	–
Finance leases	**13**	11
	140	14
Non-current		
Bank loans	**4**	6
Fixed term debt	**–**	147
Finance leases	**32**	31
	36	184
Borrowings	**176**	198

Bank overdrafts and loans

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

Non-current bank loans have an average maturity of one year (2016/17: two years) and are arranged at fixed rates of interest with an effective interest rate of 2.3% (2016/17: 1.1%).

The net movement in bank loans of £3m arises from £4m of loans recognised on acquisition of subsidiaries (see note 32), less £7m of net cashflows to repay loans.

21 Borrowings continued

Fixed term debt

	Principal outstanding	Maturity date	Coupon	Effective interest rate	2017/18 Carrying amount £m	2016/17 Carrying amount £m
US Dollar Private Placement	**$179m**	**24/05/18[1]**	**6.4%**	**6.4%**	**125**	147

1. $179m swapped to floating rate Sterling based on 6-month LIBOR plus a margin using a cross-currency interest rate swap.

The Group values its US Dollar Private Placement ("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. The net movement in the carrying amount of the Group's USPP of £22m arises from interest rate fair value gains of £6m and foreign exchange gains of £17m, with both elements subject to fair value hedges (see note 22), and amortisation of issue costs of £1m.

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 2018.

Finance leases

The Group leases some of its buildings and fixtures and equipment under finance leases. The average lease term maturity for buildings is six years (2016/17: six years) and for fixtures and equipment is two years (2016/17: 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:

	2017/18		2016/17	
£ millions	Present value of payments	Minimum payments	Present value of payments	Minimum payments
Less than one year	**13**	**15**	11	12
One to five years	**24**	**28**	22	27
More than five years	**8**	**10**	9	13
Total	**45**	**53**	42	52
Less amounts representing finance charges		**(8)**		(10)
Present value of minimum lease payments		**45**		42

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 6.9% (2016/17: 8.2%).

The net movement in finance lease liabilities of £3m arises from £3m of finance leases recognised on acquisition of subsidiaries (see note 32), new finance leases acquired of £11m, less £11m net cashflows to repay finance leases.

Fair values

	Fair value	
£ millions	2017/18	2016/17
Bank loans	**5**	9
Fixed term debt	**129**	153
Finance leases	**56**	49
Borrowings	**190**	211

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'.

22 Derivatives

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

£ millions	2017/18	2016/17
Fair value hedges	**32**	54
Cash flow hedges	**(51)**	20
Non-designated hedges	**(19)**	(10)
	(38)	64
Non-current assets	**–**	54
Current assets	**41**	36
Current liabilities	**(79)**	(26)
	(38)	64

The Group holds the following derivative financial instruments at fair value:

£ millions	2017/18	2016/17
Cross currency interest rate swaps	**32**	55
Foreign exchange contracts	**9**	35
Derivative assets	**41**	90

£ millions	2017/18	2016/17
Foreign exchange contracts	**(79)**	(26)
Derivative liabilities	**(79)**	(26)

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 2018, net derivative assets included in net cash amount to £14m (2016/17: £44m net derivative assets). The movement in these net derivative assets arises from net fair value losses of £30m.

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 2018, the Sterling equivalent amount of such contracts is £126m (2016/17: £142m).

Cash flow hedges

Forward foreign exchange contracts hedge currency exposures of forecast inventory purchases. At 31 January 2018, the Sterling equivalent amount of such contracts is £892m (2016/17: £774m). The associated fair value gains and losses will be transferred to inventories when the purchases occur during the next 12 months. Losses of £20m (2016/17: gains of £60m) 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 2018, the Sterling equivalent amount of such contracts is £1,423m (2016/17: £679m). 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.

22 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 2018					
Derivative assets	**41**	**–**	**41**	**(41)**	**–**
Derivative liabilities	**(79)**	**–**	**(79)**	**41**	**(38)**
At 31 January 2017					
Derivative assets	90	–	90	(26)	64
Derivative liabilities	(26)	–	(26)	26	–

23 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. This is monitored on an ongoing basis.

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

	Sterling		Euro		US Dollar		Other		
£ millions	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Total
At 31 January 2018									
Net cash before fair value adjustments and financing derivatives	**(22)**	**54**	**(29)**	**91**	**(127)**	**18**	**–**	**69**	**54**
Fair value adjustments to net cash	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Financing derivatives	**–**	**(1,084)**	**–**	**353**	**128**	**525**	**–**	**92**	**14**
Net cash	**(22)**	**(1,030)**	**(29)**	**444**	**1**	**543**	**–**	**161**	**68**
At 31 January 2017									
Net cash before fair value adjustments and financing derivatives	(24)	90	(27)	120	(142)	544	–	42	603
Fair value adjustments to net cash	–	–	–	–	(6)	–	–	–	(6)
Financing derivatives	–	(619)	–	432	150	–	–	81	44
Net cash	(24)	(529)	(27)	552	2	544	–	123	641

Financial instruments principally affected by interest rate and currency risks, being the significant market risks impacting Kingfisher, are borrowings, deposits and derivatives. The following analysis illustrates the sensitivity of net finance costs (reflecting the impact on profit) and derivative cash flow hedges (reflecting the impact on other comprehensive income) to changes in interest rates and foreign exchange rates.

£ millions	2017/18 Net finance costs income/ (costs)	2016/17 Net finance costs income/ (costs)
Effect of 1% rise in interest rates on net finance costs		
Sterling	**(10)**	(5)
Euro	**4**	6
US Dollar	**5**	5
Other	**2**	1

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

£ millions	2017/18 Derivative cash flow hedges increase	2016/17 Derivative cash flow hedges increase
Effect of 10% appreciation in foreign exchange rates on derivative cash flow hedges		
US Dollar against Sterling	**40**	43
US Dollar against Euro	**30**	21
US Dollar against other	**10**	8

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 22 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 2018 and 31 January 2017 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.

23 Financial risk management continued

Liquidity risk

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

The following table analyses the Group's non-derivative financial liabilities and derivative assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. It excludes trade and other payables 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 2018							
Bank loans	**(2)**	**(1)**	**(1)**	**(1)**	**(1)**	**–**	**(6)**
Fixed term debt	**(130)**	**–**	**–**	**–**	**–**	**–**	**(130)**
Finance leases	**(15)**	**(10)**	**(8)**	**(6)**	**(4)**	**(10)**	**(53)**
Derivatives – receipts	**130**	**–**	**–**	**–**	**–**	**–**	**130**
Derivatives – payments	**(97)**	**–**	**–**	**–**	**–**	**–**	**(97)**
At 31 January 2017							
Bank loans	(3)	(2)	(2)	(1)	(1)	–	(9)
Fixed term debt	(9)	(147)	–	–	–	–	(156)
Finance leases	(12)	(8)	(8)	(6)	(5)	(13)	(52)
Derivatives – receipts	9	147	–	–	–	–	156
Derivatives – payments	(1)	(98)	–	–	–	–	(99)

At 31 January 2018, the Group had undrawn revolving committed facilities of £225m due to mature in March 2022 and £400m due to mature in November 2019. The facilities both contain 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 2018.

Credit risk

The Group deposits surplus cash with a number of banks with strong 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 f 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 2018, the highest total cash investment with a single counterparty was £14m (2016/17: £63m).

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 2018, trade and other receivables that are past due but not provided against amount to £88m (2016/17: £62m), of which £6m (2016/17: £3m) are over 120 days past due.

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

Capital risk

Capital risk management disclosures are provided in the Financial Review on page 38.

24 Deferred tax

£ millions	2017/18	2016/17
Deferred tax assets	**30**	28
Deferred tax liabilities	**(264)**	(282)
	(234)	(254)

Deferred tax assets and liabilities are offset against each other when they relate to income taxes levied by the same tax jurisdiction and when the Group intends, and has the legally enforceable right, to settle its current tax assets and liabilities on a net basis.

£ millions	Accelerated tax depreciation	Gains on property	Provisions	Tax losses	Post-employment benefits	Other	Total
At 1 February 2017	**(141)**	**(96)**	**79**	**16**	**(108)**	**(4)**	**(254)**
Credit/(charge) to income statement	**4**	**13**	**(21)**	**3**	**(2)**	**–**	**(3)**
Credit to other comprehensive income	**–**	**–**	**–**	**–**	**9**	**17**	**26**
Exchange differences	**(4)**	**–**	**1**	**(1)**	**1**	**–**	**(3)**
At 31 January 2018	**(141)**	**(83)**	**59**	**18**	**(100)**	**13**	**(234)**
At 1 February 2016	(136)	(114)	41	9	(116)	(6)	(322)
Credit/(charge) to income statement	13	24	32	6	(2)	–	73
Credit/(charge) to other comprehensive income	–	1	(1)	–	6	2	8
Exchange differences	(18)	(7)	7	1	4	–	(13)
At 31 January 2017	(141)	(96)	79	16	(108)	(4)	(254)

At the balance sheet date, the Group has unused trading tax losses of £161m (2016/17: £135m) available for offset against future profits. A deferred tax asset has been recognised in respect of £93m (2016/17: £81m) of such losses. No deferred tax asset has been recognised in respect of the remaining £68m (2016/17: £54m) due to the unpredictability of future profit streams in the relevant entities. Included in unrecognised tax losses are losses arising in Romania of £46m (2016/17: £37m) and Portugal of £12m (2016/17: £7m) which can be carried forward only in the next one to seven and one to twelve years respectively. Other unrecognised losses may be carried forward indefinitely.

At the balance sheet date, the Group also has unused capital tax losses of £88m (2016/17: £96m) available for offset against future capital and carried forward gains. These losses may be carried forward indefinitely.

No deferred tax liability is recognised on the unremitted earnings of overseas subsidiaries and joint ventures. As the earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future. Earnings which could be remitted on which there would be tax to pay total £197m (2016/17: £179m).

25 Provisions

£ millions	**Onerous property contracts**	**Restructuring**	**Total**
At 1 February 2017	**20**	**142**	**162**
Charge to income statement	**7**	**9**	**16**
Release to the income statement	**(2)**	**(13)**	**(15)**
Utilised in the year	**(3)**	**(73)**	**(76)**
Acquisition of subsidiaries	**8**	**–**	**8**
Unwinding of discount	**–**	**1**	**1**
Exchange differences	**1**	**1**	**2**
At 31 January 2018	**31**	**67**	**98**
Current liabilities	**7**	**18**	**25**
Non-current liabilities	**24**	**49**	**73**
	31	**67**	**98**

Within the onerous property contracts provisions, the Group has provided against future liabilities for properties sublet at a shortfall and long-term idle properties. 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. Onerous property contract provisions also include amounts relating to properties acquired on acquisition of subsidiaries at above-market rents.

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. During 2016/17, the Group entered into a lease liability transaction with a third party to dispose of the remaining leases following the closure of these stores, with the related onerous lease provisions continuing to be recognised. The release recorded in the year primarily reflects savings on B&Q store exit costs as compared with the original provisions recognised. This has been partially offset by provisions recorded principally in respect of UK restructuring and efficiency costs.

25 Provisions continued

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 ten 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.

26 Post-employment benefits

The Group operates a variety of post-employment benefit arrangements covering both funded and unfunded defined benefit schemes and defined contribution schemes. The most significant defined benefit and defined contribution schemes are in the UK. The principal overseas defined benefit schemes are in France, where they are mainly retirement indemnity in nature.

Defined contribution schemes

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

£ millions	**2017/18**	2016/17
Charge to operating profit	**26**	23

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

Defined benefit schemes

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

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

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

A full actuarial valuation of the scheme is carried out every three years by an independent actuary for the Trustee and the last full valuation was carried out as at 31 March 2016.

Following this valuation and in accordance with the scheme's Statement of Funding Principles, the Trustee and Kingfisher have agreed annual employer contributions of £37m from April 2017. 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 r eview with the scheme Trustee at future valuations the continued appropriateness of the repayment schedule currently in place.

The Trust Deed provides Kingfisher with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business the Trustee has no rights to unilaterally wind up, or otherwise augment the benefits due to members of, the scheme. Based on these rights, any net surplus in the UK scheme is recognised in full.

UK scheme interest in property partnership

In 2010/11, the Group established a partnership, Kingfisher Scottish Limited Partnership ('Kingfisher SLP'), as part of an arrangement with the UK scheme Trustee to address an element of the scheme deficit and provide greater security to the Trustee. The partnership interests are held by the Group and by the scheme, the latter resulting from investments of £78m and £106m made by the Trustee in January and June 2011 respectively. These investments followed Group contributions of the same amounts into the scheme. In accordance with IAS 19, 'Employee benefits', the investments held by the scheme in Kingfisher SLP do not represent plan assets for the purposes of the Group's consolidated financial statements. Accordingly, the reported pension position does not reflect these investments.

UK property assets with market values of £83m and £119m were transferred, in January 2011 and June 2011 respectively, into the partnership and leased back to B&Q 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 much of the income of the partnership over the 20-year period of the arrangement. The payments to the scheme by Kingfisher SLP over this term are reflected as Group pension contributions on a cash basis. At the end of this term, Kingfisher plc has the option to acquire the Trustee's partnership interest in Kingfisher SLP.

The Group has control over the partnership and therefore it is consolidated in these Group financial statements. Accordingly, advantage has been taken of the exemptions provided by Regulation 7 of the Partnerships (Accounts) Regulations 2008 from the requirements for preparation, delivery and publication of the partnership's accounts.

Income statement

	2017/18			2016/17		
£ millions	UK	Overseas	Total	UK	Overseas	Total
Amounts charged to operating profit						
Current service cost	**2**	**9**	**11**	2	7	9
Administration costs	**4**	**–**	**4**	4	–	4
	6	**9**	**15**	6	7	13
Amounts (credited)/charged to net finance costs						
Net interest (income)/expense	**(7)**	**2**	**(5)**	(9)	2	(7)
Total (credited)/charged to income statement	**(1)**	**11**	**10**	(3)	9	6

Of the net charge to operating profit, a £11m charge (2016/17: £9m charge) and £4m charge (2016/17: £4m charge) are included in selling and distribution expenses and administrative expenses respectively. Actuarial gains and losses have been reported in the statement of comprehensive income.

Balance sheet

	2017/18			2016/17		
£ millions	UK	Overseas	Total	UK	Overseas	Total
Present value of defined benefit obligations	**(3,002)**	**(134)**	**(3,136)**	(2,999)	(126)	(3,125)
Fair value of scheme assets	**3,216**	**19**	**3,235**	3,238	18	3,256
Net surplus/(deficit) in schemes	**214**	**(115)**	**99**	239	(108)	131

Movements in the surplus or deficit are as follows:

	2017/18			2016/17		
£ millions	UK	Overseas	Total	UK	Overseas	Total
Net surplus/(deficit) in schemes at beginning of year	**239**	**(108)**	**131**	246	(87)	159
Current service cost	**(2)**	**(9)**	**(11)**	(2)	(7)	(9)
Administration costs	**(4)**	**–**	**(4)**	(4)	–	(4)
Net interest income/(expense)	**7**	**(2)**	**5**	9	(2)	7
Net actuarial (losses)/gains	**(62)**	**4**	**(58)**	(46)	(4)	(50)
Contributions paid by employer	**36**	**2**	**38**	36	2	38
Exchange differences	**–**	**(2)**	**(2)**	–	(10)	(10)
Net surplus/(deficit) in schemes at end of year	**214**	**(115)**	**99**	239	(108)	131

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

	2017/18			2016/17		
£ millions	UK	Overseas	Total	UK	Overseas	Total
Present value of defined benefit obligations at beginning of year	**(2,999)**	**(126)**	**(3,125)**	(2,374)	(102)	(2,476)
Current service cost	**(2)**	**(9)**	**(11)**	(2)	(7)	(9)
Interest expense	**(79)**	**(2)**	**(81)**	(84)	(2)	(86)
Actuarial (losses)/gains – changes in financial assumptions	**(23)**	**1**	**(22)**	(637)	(3)	(640)
Actuarial losses – changes in demographic assumptions	**–**	**–**	**–**	(57)	–	(57)
Actuarial (losses)/gains – experience adjustments	**(49)**	**3**	**(46)**	60	(1)	59
Benefits paid	**150**	**2**	**152**	95	1	96
Exchange differences	**–**	**(3)**	**(3)**	–	(12)	(12)
Present value of defined benefit obligations at end of year	**(3,002)**	**(134)**	**(3,136)**	(2,999)	(126)	(3,125)

26 Post-employment benefits continued

The present value of UK scheme defined benefit obligations is 66% (2016/17: 66%) in respect of deferred members and 34% (2016/17: 34%) in respect of current pensioners.

The weighted average duration of the UK scheme obligations at the end of the year is 19 years (2016/17: 19 years).

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

	2017/18			2016/17		
£ millions	UK	Overseas	Total	UK	Overseas	Total
Fair value of scheme assets at beginning of year	**3,238**	**18**	**3,256**	2,620	15	2,635
Administration costs	**(4)**	**–**	**(4)**	(4)	–	(4)
Interest income	**86**	**–**	**86**	93	–	93
Actuarial gains – actual return less interest income	**10**	**–**	**10**	588	–	588
Contributions paid by employer	**36**	**2**	**38**	36	2	38
Benefits paid	**(150)**	**(2)**	**(152)**	(95)	(1)	(96)
Exchange differences	**–**	**1**	**1**	–	2	2
Fair value of scheme assets at end of year	**3,216**	**19**	**3,235**	3,238	18	3,256

The fair value of scheme assets is analysed as follows:

	2017/18				2016/17			
£ millions	UK	Overseas	Total	% of total	UK	Overseas	Total	% of total
Government bonds[1]	**1,382**	**–**	**1,382**	**43%**	1,616	–	1,616	49%
Corporate bonds	**880**	**–**	**880**	**27%**	849	–	849	26%
Derivatives	**(82)**	**–**	**(82)**	**(3%)**	(94)	–	(94)	(3%)
UK equities	**17**	**–**	**17**	**1%**	61	–	61	2%
Overseas equities	**224**	**–**	**224**	**7%**	281	–	281	9%
Property	**23**	**–**	**23**	**1%**	28	–	28	1%
Annuities	**394**	**–**	**394**	**12%**	217	–	217	7%
Cash and other	**378**	**19**	**397**	**12%**	280	18	298	9%
Total fair value of scheme assets	**3,216**	**19**	**3,235**	**100%**	3,238	18	3,256	100%

1. Including LDI repurchase agreement liabilities.

All UK scheme assets have quoted prices in active markets, except for £572m (2016/17: £397m) of property, annuity and other assets.

During the year the UK pension scheme purchased a second annuity for £209 million from a major insurance company. A similar transaction was undertaken in 2015/16 that targeted the top layer of the scheme's pensioner liabilities. The second annuity targeted the next layer of pensioner liabilities, removing the longevity risk associated with these members. Measured against the long-term funding objective that has been agreed between Kingfisher and the Trustee, the transaction generated a modest funding improvement as well as a significant reduction in funding risk. As the cost of the annuity of £209m was greater than the IAS 19 accounting value of the corresponding liabilities, a loss of £31m has been recorded in other comprehensive income.

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 (2016/17: £3.0bn) and associated repurchase agreement liabilities of £1.4bn (2016/17: £1.4bn). 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 £37m.

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.

	2017/18		2016/17	
Annual % rate	**UK**	**Overseas**	UK	Overseas
Discount rate	**2.5**	**1.5**	2.7	1.5
Price inflation	**3.4**	**2.0**	3.6	2.0
Rate of pension increases	**3.1**	**–**	3.3	–
Salary escalation	**n/a**	**2.4**	n/a	2.4

For the UK scheme, the mortality assumptions used for IAS 19 purposes have been selected with regard to the characteristics and experience of the membership of the scheme as assessed from time to time relating to triennial funding valuations. The base mortality assumptions have been derived using an analysis of current mortality rates carried out by Club Vita for the Trustee and the CMI life expectancy projection model data published by the UK actuarial profession. The latter allowance is in line with CMI 2015 improvements subject to a long-term rate of 1.25% p.a. for both males and females. The assumptions for life expectancy of UK scheme members are as follows:

Years	**2017/18**	2016/17
Age to which current pensioners are expected to live (60 now)		
– Male	**87.2**	87.1
– Female	**88.9**	88.8
Age to which future pensioners are expected to live (60 in 15 years' time)		
– Male	**88.4**	88.3
– Female	**90.8**	90.7

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

Assumption	Change in assumption	Impact on defined benefit obligation
Discount rate	Increase/decrease by 0.5%	Decrease/increase by £333m
Price inflation	Increase/decrease by 0.5%	Increase/decrease by £266m
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £275m
Mortality	Increase in life expectancy by one year	Increase by £99m

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.

27 Share capital

	Number of ordinary shares millions	Ordinary share capital £ millions
Allotted, called up and fully paid:		
At 1 February 2017	**2,240**	**352**
New shares issued under share schemes	**3**	**1**
Purchase of own shares for cancellation	**(82)**	**(13)**
At 31 January 2018	**2,161**	**340**
At 1 February 2016	2,296	361
New shares issued under share schemes	2	–
Purchase of own shares for cancellation	(58)	(9)
At 31 January 2017	2,240	352

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

During the year the Group purchased 82 million (2016/17: 58 million) of the Company's own shares for cancellation at a cost of £260m (2016/17: £200m) as part of its capital returns programme.

28 Other reserves

£ millions	Translation reserve	Cash flow hedge reserve	Available-for-sale reserve	Other	Total
At 1 February 2017	**184**	**19**	**–**	**159**	**362**
Currency translation differences					
Group	**84**	**–**	**–**	**–**	**84**
Joint ventures and associates	**(1)**	**–**	**–**	**–**	**(1)**
Cash flow losses					
Fair value losses	**–**	**(93)**	**–**	**–**	**(93)**
Losses transferred to inventories	**–**	**20**	**–**	**–**	**20**
Tax on items that may be reclassified	**(5)**	**17**	**–**	**–**	**12**
Other comprehensive income/(loss) for the year	**78**	**(56)**	**–**	**–**	**22**
At 31 January 2018	**262**	**(37)**	**–**	**159**	**384**
At 1 February 2016	(205)	25	2	159	(19)
Currency translation differences					
Group	390	–	–	–	390
Joint ventures and associates	(1)	–	–	–	(1)
Cash flow hedges					
Fair value gains	–	52	–	–	52
Gains transferred to inventories	–	(60)	–	–	(60)
Available-for-sale financial assets					
Fair value gains	–	–	5	–	5
Transferred to income statement	–	–	(7)	–	(7)
Tax on items that may be reclassified	–	2	–	–	2
Other comprehensive income/(loss) for the year	389	(6)	(2)	–	381
At 31 January 2017	184	19	–	159	362

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

29 Share-based payments

	2017/18		2016/17	
	Number of options thousands	**Weighted average exercise price £**	Number of options thousands	Weighted average exercise price £
Outstanding at beginning of year	**36,694**	**0.87**	26,532	1.13
Granted during the year[1,2]	**12,210**	**1.05**	17,543	0.56
Forfeited and expired during the year	**(7,421)**	**0.75**	(3,900)	0.97
Exercised during the year	**(4,942)**	**1.57**	(3,481)	1.14
Outstanding at end of year	**36,541**	**0.87**	36,694	0.87
Exercisable at end of year	**1,534**	**0.96**	1,332	1.26

1. The charge to the income statement for the years ended 31 January 2018 and 31 January 2017 in respect of share-based payments includes the first year's charge of the 2018 Kingfisher Incentive Share Plan ('KISP') Deferred Bonus Award and 2017 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 Transformation Incentive awards, Alignment Share awards, KISP awards and discounted Sharesave options (see below).

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

Options have been exercised on a regular basis throughout the year. On that basis, the weighted average share price during the year, rather than at the date of exercise, is £3.20 (2016/17: £3.53). The options outstanding at the end of the year have exercise prices ranging from nil to £3.15 and a weighted average remaining contractual life of 5.4 years (2016/17: 5.4 years).

The Group recognised a total expense of £8m in the year ended 31 January 2018 (2016/17: £15m) 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[4] %	Risk free rate %	Fair value £
Kingfisher Incentive Share	25/04/12	2.96	–	7	–	–	–	2.96
Scheme[1]	11/04/13	2.97	–	7	–	–	–	2.97
	23/04/14	4.19	–	7	–	–	–	4.19
Kingfisher Incentive Share Plan –	23/04/15	3.52	–	7	–	–	–	3.52
Deferred Bonus Awards	21/04/16	3.61	–	7	–	–	–	3.61
	03/05/17	3.40	–	7	–	–	–	3.40
Performance Share Plan	17/06/11	2.65	–	7	–	–	–	2.65
	21/10/11	2.63	–	7	–	–	–	2.63
	03/05/12	2.91	–	7	–	–	–	2.91
	16/10/12	2.81	–	7	–	–	–	2.81
	25/04/13	3.10	–	7	–	–	–	3.10
	22/10/13	3.74	–	7	–	–	–	3.74
Long Term Incentive Awards	03/07/14	3.61	–	7	–	–	–	3.61
	15/09/14	3.16	–	7	–	–	–	3.16
	05/05/15	3.54	–	7	–	–	–	3.54
	20/10/15	3.63	–	7	–	–	–	3.63
UK and International	19/10/12	2.85	2.17	5.5	37.6%	3.3%	0.9%	0.49
Sharesave	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
	01/11/16	3.64	3.06	3.5	22.9%	2.8%	0.4%	0.44
	01/11/16	3.64	3.06	5.5	23.5%	2.8%	0.7%	0.39
	31/10/17	3.13	2.42	3.5	22.8%	3.4%	0.6%	0.43
	31/10/17	3.13	2.42	5.5	22.3%	3.4%	0.8%	0.34
Alignment Shares	19/07/16	3.32	–	10	–	–	–	3.32
	19/07/16	3.32	–	10	–	–	–	3.03
	24/04/17	3.37	–	10	–	–	–	3.37
	24/04/17	3.37	–	10	–	–	–	3.07
Transformation Incentive	19/07/16	3.32	–	10	–	–	–	3.32

1. The Kingfisher Incentive Share Scheme ('KISS') 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 7 years from the date of grant. For the Transformation Incentive award and Alignment Share award the expiry date is 10 years from the date of grant. Expiry of the overseas Alignment Share award is 3 years from the date of grant.
3. Expected volatility was determined for each individual award, by calculating the historical volatility of the Group's share price (plus reinvested dividends) immediately prior to the grant of the award, over the same period as the vesting period of each award, adjusted by expectations of future volatility.
4. As these awards are made under an approved SAYE scheme, option holders cannot be compensated for dividends foregone. As such the historical dividend yield is used, calculated as dividends announced in the 12 months prior to grant as a percentage of the share price on the date of grant.

30 Cash generated by operations

£ millions	2017/18	2016/17
Operating profit	**685**	773
Share of post-tax results of joint ventures and associates	**(3)**	(1)
Depreciation and amortisation	**254**	253
Net impairment losses	**1**	14
Loss on disposal of property, plant and equipment and investment property	**2**	4
Profit on disposal of B&Q China	**–**	(3)
Share-based compensation charge	**8**	15
Increase in inventories	**(473)**	(46)
Decrease in trade and other receivables	**12**	62
Increase in trade and other payables	**87**	4
Movement in provisions	**(75)**	(125)
Movement in post-employment benefits	**(23)**	(25)
Cash generated by operations	**475**	925

31 Net cash

£ millions	2017/18	2016/17
Cash and cash equivalents	**230**	795
Bank loans	**(6)**	(9)
Fixed term debt	**(125)**	(147)
Financing derivatives	**14**	44
Finance leases	**(45)**	(42)
Net cash	**68**	641

Liabilities arising from financing activities comprise bank loans, the Group's USPP and finance leases. Associated derivatives are cross currency interest rate swaps and cash management swaps.

£ millions	2017/18	2016/17
Net cash at beginning of year	**641**	546
Net (decrease)/increase in cash and cash equivalents and bank overdrafts	**(596)**	38
Decrease in short-term deposits	**–**	(70)
Repayment of bank loans	**7**	2
Repayment of fixed term debt	**–**	47
Receipt on financing derivatives	**–**	(10)
Capital element of finance lease rental payments	**11**	12
Cash flow movement in net cash	**(578)**	19
Borrowings acquired	**(7)**	–
Exchange differences and other non-cash movements	**12**	76
Net cash at end of year	**68**	641

32 Acquisitions

On 30 November 2017, the Group obtained control of Praktiker Romania S. A. ("Praktiker") by acquiring 100% of its share capital for a consideration of £14m, all of which comprised cash. Praktiker is a home improvement retailer operating 26 stores across Romania and was acquired to strengthen the Group's position in Romania.

Goodwill of £36m has been recognised on provisional net liabilities acquired of £22m, representing a strategic premium to strengthen the Group's position in Romania and anticipated synergies that will arise from the acquisition. None of this goodwill is expected to be deductible for income tax purposes.

£ millions	
Provisional fair value amounts recognised of identifiable assets acquired and liabilities assumed	
Other intangible assets	1
Property, plant and equipment	9
Inventories	31
Trade and other receivables	6
Cash and cash equivalents	2
Trade and other payables	(56)
Borrowings	(7)
Provisions	(8)
Total identifiable net liabilities acquired	(22)
Goodwill	36
Total consideration	14

The acquisition amounts recorded in the consolidated cash flow statement for the year are:

£ millions	
Cash consideration	(14)
Cash acquired	2
Purchase of businesses, net of cash acquired	(12)

Immediately following the acquisition, Kingfisher settled Praktiker's bank loans of £4m (included within "Repayment of bank loans" in the consolidated cash flow statement).

Owing to local conditions, Praktiker prepares its financial statements to 31 December. In the period from 30 November 2017 to 31 December 2017, it contributed sales of £8m and a retail loss of £1m. If the acquisition had occurred at the start of the financial year, the Group's sales would have been £11,760m and Group operating profit, after exceptional items, would have been £676m for the year ended 31 January 2018.

33 Disposals

In the prior year, on 5 July 2016, the Group disposed of its remaining 30% interest in the B&Q China business to Wumei Holdings Inc. for a gross consideration of £67m, being the Sterling equivalent of RMB 582m. The profit on disposal of £3m is analysed as follows:

£ millions	
Proceeds	67
Disposal costs	(4)
Net disposal proceeds	63
Fair value of investment disposed	(67)
Fair value gains transferred from available-for-sale reserve	7
Exceptional profit on disposal	3

34 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	2017/18	2016/17
Less than one year	**433**	427
One to five years	**1,420**	1,393
More than five years	**1,536**	1,598
	3,389	3,418

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

£ millions	2017/18	2016/17
Less than one year	**10**	12
One to five years	**32**	36
More than five years	**29**	34
	71	82

The total of future minimum operating sublease receipts expected to be received is £42m (2016/17: £62m).

Capital commitments

Capital commitments contracted but not provided for by the Group amount to £52m (2016/17: £31m).

35 Contingent liabilities

The Group has arranged for certain guarantees to be provided to third parties in the ordinary course of business. Of these guarantees, £43m (2016/17: £1m) could 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.

The Group files tax returns in many jurisdictions around the world and at any one time, is subject to periodic tax audits in the ordinary course of its business. Applicable tax laws and regulations are subject to differing interpretations and the resolution of a final tax position can take several years to complete. Where it is considered that future tax liabilities are more likely than not to arise, an appropriate provision is recognised in the financial statements.

Included within these audits is a dispute with the French Tax Authority regarding the treatment of interest paid since the 2010 year end, where additional French tax of €49m (£43m) has been assessed and for which a bank guarantee is now in place. At the balance sheet date, interest and penalties of €49m (£43m) would be due on this assessment if not challenged successfully. Having taken external professional advice, the Group disagrees with the assessment and intends to defend its position through the courts. The Group does not consider it necessary to make provision for the amounts assessed at the current time, nor for any potential further amounts which may be assessed for subsequent years.

In October 2017, the European Commission opened a state aid investigation into the Group Financing Exemption section of the UK controlled foreign company rules. Along with many other UK-based international companies, the Group may be affected by the outcome of this investigation and is therefore monitoring developments. The Group does not currently consider any provision is required in relation to EU State Aid.

Whilst the procedures that must be followed to resolve these types of tax issues make it likely that it will be some years before the eventual outcome is known, the Group does not currently expect the outcome of these contingent liabilities to have a material effect on the Group's financial position.

36 Related party transactions

During the year, the Company and its subsidiaries carried out a number of transactions with related parties in the normal course of business and on an arm's length basis. The names of the related parties, the nature of these transactions and their total value are shown below:

	2017/18		2016/17	
£ millions	**Income**	**Receivable**	Income	Receivable
Transactions with Koçtaş Yapi Marketleri Ticaret A.S. in which the Group holds a 50% interest				
Commission and other income	**0.7**	**0.2**	1.0	0.4
Transactions with Crealfi S.A. in which the Group holds a 49% interest				
Provision of employee services	**0.2**	**–**	0.1	–
Commission and other income	**6.6**	**0.2**	6.4	0.3
Transactions with the Kingfisher Pension Scheme				
Provision of administrative services	**1.3**	**–**	1.3	0.1

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

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

Other transactions with the Kingfisher Pension Scheme are detailed in note 26.

37 Events after the balance sheet date

In February 2018, the Group commenced formal consultation with employee representatives regarding its plans in France to restructure the business as part of the Group's transformation plan. This is expected to result in an exceptional cost of around £35m.

Company balance sheet

At 31 January 2018

£ millions	Notes	2017/18	2016/17
Non-current assets			
Investment in subsidiary	4	**6,825**	6,819
Post-employment benefits	11	**12**	13
Derivative assets	8	**–**	54
		6,837	6,886
Current assets			
Trade and other receivables	5	**4,133**	6,863
Derivative assets	8	**40**	7
Current tax assets		**44**	37
Cash and cash equivalents		**55**	129
		4,272	7,036
Total assets		**11,109**	13,922
Current liabilities			
Trade and other payables	6	**(4,819)**	(7,544)
Borrowings	7	**(125)**	–
Derivative liabilities	8	**(12)**	(17)
Provisions	10	**(1)**	(1)
		(4,957)	(7,562)
Non-current liabilities			
Borrowings	7	**–**	(147)
Deferred tax liabilities	9	**–**	–
Provisions	10	**(3)**	(5)
		(3)	(152)
Total liabilities		**(4,960)**	(7,714)
Net assets		**6,149**	6,208
Equity			
Share capital	12	**340**	352
Share premium		**2,228**	2,221
Own shares held in ESOP trust		**(29)**	(23)
Retained earnings		**2,864**	2,925
Capital redemption reserve		**35**	22
Other reserves		**711**	711
Total equity		**6,149**	6,208

The Company's profit for the year was £430m (2016/17: £680m).

The financial statements were approved by the Board of Directors on 20 March 2018 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 2018

£ millions	Notes	Share capital	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves[1]	Total equity
At 1 February 2017		**352**	**2,221**	**(23)**	**2,925**	**22**	**711**	**6,208**
Profit for the year		**–**	**–**	**–**	**430**	**–**	**–**	**430**
Other comprehensive loss for the year		**–**	**–**	**–**	**(2)**	**–**	**–**	**(2)**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**428**	**–**	**711**	**428**
Share-based compensation	13	**–**	**–**	**–**	**3**	**–**	**–**	**3**
Capital contributions given relating to share-based payments		**–**	**–**	**–**	**6**	**–**	**–**	**6**
New shares issued under share schemes	12	**1**	**7**	**–**	**–**	**–**	**–**	**8**
Own shares issued under share schemes		**–**	**–**	**7**	**(7)**	**–**	**–**	**–**
Purchase of own shares for cancellation	12	**(13)**	**–**	**–**	**(260)**	**13**	**–**	**(260)**
Purchase of own shares for ESOP trust		**–**	**–**	**(13)**	**–**	**–**	**–**	**(13)**
Dividends		**–**	**–**	**–**	**(231)**	**–**	**–**	**(231)**
At 31 January 2018		**340**	**2,228**	**(29)**	**2,864**	**35**	**711**	**6,149**
At 1 February 2016		361	2,218	(24)	2,618	13	711	5,897
Profit for the year		–	–	–	680	–	–	680
Other comprehensive loss for the year		–	–	–	(2)	–	–	(2)
Total comprehensive income/(loss) for the year		–	–	–	678	–	–	678
Share-based compensation	13	–	–	–	6	–	–	6
Capital contributions given relating to share-based payments		–	–	–	9	–	–	9
New shares issued under share schemes		–	3	–	–	–	–	3
Own shares issued under share schemes		–	–	7	(6)	–	–	1
Purchase of own shares for cancellation		(9)	–	–	(150)	9	–	(150)
Purchase of own shares for ESOP trust		–	–	(6)	–	–	–	(6)
Dividends		–	–	–	(230)	–	–	(230)
At 31 January 2017		352	2,221	(23)	2,925	22	711	6,208

1. The other reserves represent the premium on the issue of convertible loan stock in 1993 and the merger reserve relating to the acquisition of Darty in 1993.

Notes to the Company financial statements

1 General information

The Company is non-trading and is the ultimate parent of the Kingfisher plc group ('the Group'). The nature of the Group's operations and its principal activities is set out in the Strategic Report on pages 2 to 48.

The Company is incorporated in England, United Kingdom, and is listed on the London Stock Exchange. The address of its registered office is 3 Sheldon Square, Paddington, London W2 6PX. A full list of related undertakings of the Company and their registered offices is given in note 16.

2 Principal accounting policies

The financial statements of Kingfisher plc ('the Company') are for the calendar year ended 31 January 2018 ('the year' or '2017/18') and were authorised for issue by the Board of Directors on 20 March 2018. The comparative financial year is the calendar year ended 31 January 2017 ('the prior year' or '2016/17').

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 2018. Refer to the Strategic Report on page 48.

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	2017/18	2016/17
Year end rate	**1.14**	1.16

The financial statements are presented in Sterling, which is the Company's presentation currency and the currency of the primary economic environment in which the entity operates (i.e. its functional currency).

b. Investments

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

c. 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.

d. Employee benefits

(i) Post-employment benefits

The Company operates defined benefit and defined contribution pension schemes for its employees. A defined benefit scheme is a pension scheme which defines an amount of pension benefit which an employee will receive on retirement. A defined contribution scheme is a pension scheme under which the Company usually pays fixed contributions into a separate entity. In all cases a separate fund is being accumulated to meet the accruing liabilities. The assets of each of these funds are held under trusts and are entirely separate from the Company's assets.

The asset or liability recognised in the balance sheet in respect of defined benefit pension schemes is the fair value of scheme assets less the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds which are denominated in the currency in which the benefits will be paid and which have terms to maturity approximating to the terms of the related pension liability.

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.

e. Taxation

The tax currently payable or receivable is based on taxable profit or loss for the year.

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

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

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, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

f. Provisions

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

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

g. Financial instruments

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

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

(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) 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.

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

2 Principal accounting policies continued

(v) Derivatives and hedge accounting
Where hedge accounting is not applied, or to the extent to which it is not effective, changes in the fair value of derivatives are recognised in the income statement as they arise.

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

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry being recorded in the income statement. 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.

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

Judgements and sources of estimation uncertainty
The preparation of the Company financial statements requires management to make judgements, estimates and assumptions in applying the Company's accounting policies to determine the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Critical judgements, apart from those involving estimations, are not applied in the preparation of the Company financial statements.

Sources of estimation uncertainty
The key assumptions about the future, and other key sources of estimation uncertainty at the reporting period end that may 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.

Post-employment benefits
The present value of the defined benefit liabilities recognised on the balance sheet is dependent on a number of market rates and assumptions including interest rates of high quality corporate bonds, inflation and mortality rates. The net interest expense or income is dependent on the interest rates of high quality corporate bonds and the net deficit or surplus position. The market rates and assumptions are based on the conditions at the time and changes in these can lead to significant movements in the estimated obligations.

3 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 pages 68 to 99.

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

£ millions	2017/18	2016/17
Wages and salaries	**26**	44
Social security costs	**5**	6
Post-employment benefits – defined contribution	**2**	2
Share-based compensation	**3**	6
Employee benefit expenses	**36**	58

Number	2017/18	2016/17
Average number of persons employed		
Administration	**304**	415

Directors' remuneration and details of share option exercises are disclosed in the Directors' Remuneration Report on pages 70 to 93. Total Directors' remuneration for the year is £5m (2016/17: £6m).

As permitted by s408 of Companies Act 2006, no separate income statement or statement of comprehensive income is presented in respect of the parent Company. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet.

4 Investments

£ millions	Investment in subsidiary
At 1 February 2017	**6,819**
Capital contributions given relating to share-based payments	**6**
At 31 January 2018	**6,825**

The more significant subsidiary undertakings of the Company at 31 January 2018 and the ultimate percentage holding are set out below. For a full list of subsidiaries and related undertakings, see note 16.

	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	Financing
Kingfisher Digital Limited	United Kingdom	100%	Ordinary	Digital services
Kingfisher Holdings Limited	United Kingdom	100%	Ordinary	Holding company
Kingfisher International Products Limited	United Kingdom	100%	Ordinary	Sourcing
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
Praktiker 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.

5 Trade and other receivables

£ millions	2017/18	2016/17
Current		
Owed by Group undertakings	**4,132**	6,861
Other receivables	**1**	2
	4,133	6,863

6 Trade and other payables

£ millions	2017/18	2016/17
Current		
Owed to Group undertakings	**4,789**	7,491
Other taxation and social security	**2**	2
Accruals and other payables	**28**	51
	4,819	7,544

Amounts owed to Group undertakings are repayable on demand and any interest due thereon is at current market rates.

7 Borrowings

£ millions	2017/18	2016/17
Current		
Fixed term debt	**125**	–
	125	–
Non-current		
Fixed term debt	**–**	147
	–	147

Details of the fixed term debt, representing a $179m US Dollar Private Placement ("USPP"), are given in note 21 to the consolidated financial statements.

8 Derivatives

£ millions	2017/18	2016/17
Cross currency interest rate swaps	**32**	55
Foreign exchange contracts	**8**	6
Derivative assets	**40**	61
Foreign exchange contracts	**(12)**	(17)
Derivative liabilities	**(12)**	(17)

The cross currency interest rate swap contracts convert the USPP fixed rate debt into floating rate Sterling liabilities based on 6-month LIBOR plus a margin.

The fair values are calculated by discounting future cash flows arising from the instruments and adjusted for credit risk. These fair value measurements are all made using observable market rates of interest, foreign exchange and credit risk. Further details are given in note 22 to the consolidated financial statements.

9 Deferred tax

£ millions	Employment and post-employment benefits
At 1 February 2017	**–**
At 31 January 2018	**–**
At 1 February 2016	(1)
Credit to income statement	1
At 31 January 2017	–

10 Provisions

£ millions	Onerous property contracts
At 1 February 2017	**6**
Release to income statement	**(2)**
At 31 January 2018	**4**
Current liabilities	**1**
Non-current liabilities	**3**
	4

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. The weighted average remaining lease term to earliest exit, before any surrenders, assignments or mitigation through subleases, is four years.

11 Post-employment benefits

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

Defined contribution scheme

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

£ millions	**2017/18**	2016/17
Charge to operating profit	**2**	2

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

Defined benefit scheme

Kingfisher plc is one of a number of Group companies that participate in the Kingfisher Pension Scheme, and therefore the Company has accounted for its share of the scheme assets and liabilities. The Group's policy is for each entity to recognise its share of assets and liabilities based on the proportion of the scheme contributions paid by that the entity. See note 26 to the consolidated financial statements for further detail on the Kingfisher Pension Scheme. The valuation of the scheme has been based on the most recent actuarial valuation as at 31 March 2016 and has been updated to 31 January 2018.

The final salary pension scheme was closed to future benefit accrual with effect from July 2012.

The Trust Deed provides Kingfisher with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business the Trustee has no rights to unilaterally wind up, or otherwise augment the benefits due to members of, the scheme. Based on these rights, any net surplus in the UK scheme is recognised in full.

In 2010/11 and 2011/12 the Company entered into two phases of a property partnership arrangement with the scheme Trustee to address an element of the scheme deficit. Further details on this arrangement are given in note 26 of the consolidated financial statements. The reported pension position reflects the Company's share of the resulting scheme asset.

Income statement

£ millions	**2017/18**	2016/17
Net interest income	**–**	1
Total credited to income statement	**–**	1

11 Post-employment benefits continued

Balance sheet

Movements in the present value of the defined benefit obligation and the fair value of scheme assets are as follows:

£millions	Defined benefit obligation	Scheme assets	Total
At 1 February 2017	**(88)**	**101**	**13**
Interest (expense)/income	**(2)**	**2**	**–**
Actuarial losses[1]	**(2)**	**–**	**(2)**
Contributions paid by employer	**–**	**1**	**1**
Benefits paid	**4**	**(4)**	**–**
At 31 January 2018	**(88)**	**100**	**12**
At 1 February 2016	(70)	83	13
Interest (expense)/income	(2)	3	1
Actuarial (losses)/gains [1]	(19)	17	(2)
Contributions paid by employer	–	1	1
Benefits paid	3	(3)	–
At 31 January 2017	(88)	101	13

1. Representing the total amounts recognised in other comprehensive income for the year.

The fair value of scheme assets is analysed as follows:

£ millions	2017/18	2016/17
Equities	**7**	10
Government and corporate bonds	**66**	73
Property	**1**	1
Cash and other	**26**	17
Total fair value of scheme assets	**100**	101

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

Assumption	Change in assumption	Impact on defined benefit obligation
Discount rate	Increase/decrease by 0.5%	Decrease/increase by £10m
Price inflation	Increase/decrease by 0.5%	Increase/decrease by £8m
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £8m
Mortality	Increase in life expectancy by one year	Increase by £3m

12 Called up share capital

	Number of ordinary shares millions	Ordinary share capital £ millions
Allotted, called up and fully paid:		
At 1 February 2017	**2,240**	**352**
New shares issued under share schemes	**3**	**1**
Purchase of own shares for cancellation	**(82)**	**(13)**
At 31 January 2018	**2,161**	**340**

Ordinary shares have a par value of $15^5/_7$ pence per share.

During the year the Group purchased 82 million (2016/17: 58 million) of its own shares for cancellation at a cost of £260m (2016/17: £200m) as part of its capital returns programme.

13 Share-based payments

The Company operates a number of share incentive plans including the Kingfisher Alignment Share and Transformation Incentive Plan ('KASTIP'), Kingfisher Incentive Share Plan ('KISP'), Kingfisher Incentive Share Scheme ('KISS'), Long Term Incentive Plan ('LTIP'), Performance Share Plan ('PSP') and Sharesave plans in the UK and Ireland.

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 £3.20 (2016/17: £3.53). The options outstanding at the end of the year have exercise prices ranging from nil to £3.15 and a weighted average remaining contractual life of 7.4 years (2016/17: 7.7 years).

The Executive Directors' awards are disclosed in the Directors' Remuneration Report on pages 70 to 93. The KASTIP awards are described as part of the Directors' Remuneration Report.

Under the KISS and KISP, shares awards are deferred for three years. The awards were granted as nil cost options. Vesting dates may vary according to individual grants.

LTIP was granted annually based on performance over a three-year period. Performance conditions were based on 50% EPS and 50% Kingfisher Economic Profit ('KEP'). The awards were granted as nil cost options, and only accrue dividends after they vest. Vesting dates varied according to individual grants.

PSP awards were based on performance conditions over a three-year period. The performance conditions were based on 50% EPS and 50% KEP and granted as nil cost options. Vesting dates may vary according to individual grants.

Under the UK Sharesave scheme, eligible UK employees have been invited to enter into HMRC-approved savings contracts for a period of three or five years, whereby shares may be acquired with savings under the contract. The option price is the average market price over three days shortly before the invitation to subscribe, discounted by 20%. Options are exercisable within a six-month period from the conclusion of a three- or five-year period. The Irish Sharesave plan, which operates along similar lines to the UK Sharesave scheme, includes eligible employees in Ireland.

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 £92m (2016/17: £78m) to enable it to acquire shares in Kingfisher plc. The shares are used to satisfy options awarded under the Transformation Incentive award, Alignment Share award, KISP, KISS and Performance Share Plan.

The ESOP trust's shareholding at 31 January 2018 is 9 million shares (2016/17: 6 million shares) with a nominal value of £1m (2016/17: £1m) and a market value of £29m (2016/17: £22m). Dividends on these shares were waived for the interim and final dividends.

14 Commitments

Operating lease commitments

The Company is a lessee of offices under lease agreements.

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

£ millions	2017/18	2016/17
Less than one year	**4**	4
One to five years	**14**	15
More than five years	**–**	5
	18	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	2017/18	2016/17
Less than one year	**–**	1
One to five years	**1**	2
	1	3

15 Related party transactions

During the year, the Company carried out a number of transactions with related parties in the normal course of business and on an arm's length basis. The names of the related parties, the nature of these transactions and their total value are shown below:

	2017/18		2016/17	
£ millions	Income	Receivable	Income	Receivable
Transactions with Koçtaş Yapi Marketleri Ticaret A.S. in which the Kingfisher plc Group holds a 50% interest				
Commission and other income	**0.5**	**0.2**	0.5	0.2
Transactions with the Kingfisher Pension Scheme				
Provision of administrative services	**1.3**	**–**	1.3	0.1

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

Directors' remuneration and details of share option exercises are disclosed in the Directors' Remuneration Report on pages 70 to 93.

Other transactions with the Kingfisher Pension Scheme are detailed in note 11.

16 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 2018, the address of their registered office and their country of incorporation is shown below. The entire issued share capital is held within the Group except where otherwise shown.

Subsidiary undertakings

All subsidiary undertakings, unless otherwise noted, are consolidated in the Group's financial statements, have only one class of share in issue (being ordinary shares), and have all their shares held by companies within the Group other than the Company (Kingfisher plc).

ADSR Real Estate S.A.S.U. [1]
Alcedo Finance Limited [2]
B&Q (Retail) Guernsey Limited [3]
B&Q (Retail) Jersey Limited [4]
B&Q Ireland Limited [5]
B & Q plc [a, 6]
B&Q Properties Chesterfield Limited [6]
B&Q Properties Chestnut Retail Park Limited [6]
B&Q Properties Farnborough Limited [6]
B&Q Properties Investments Limited [7]
B&Q Properties Limited [6]
B&Q Properties New Malden Limited [6]
B&Q Properties Nursling Limited [6]
B&Q Properties South Shields Limited [6]
B&Q Properties Sutton-In-Ashfield Limited [6]
B&Q Properties Swindon Limited [6]
B&Q Properties Witney Limited [6]
B&Q Properties Wrexham Limited [6]
Bargain Bob's Limited [8]
Brico Communication S.R.L. [9]
Brico Dépôt Portugal S.A. [10]
Brico Dépôt S.A.S.U. [11]
Brico Development S.A. [9]
Brico Foncier S.A. [9]
Brico Imobiliare Calarasi S.A. [9]
Bricostore Romania S.A. [9]
Brico Supply S.A. [9]
Castim Sp. z o.o. [12]
Castorama Dubois Investissements S.C.A. [13]
Castorama France S.A.S.U. [13]
Castorama Partenariat SNC [1]
Castorama Polska Sp. z o.o. [12]
Castorama RUS LLC [14]
Dickens Limited [6]
DIY Express Limited [8]
EasyDrive (GB) Limited [8]
Eijsvogel Finance Limited [2]
Eijsvogel S.A.R.L. [1]
Electricfix Limited [8]
Erbauer (UK) Limited [8]
Euro Dépôt España S.A.U. [15]
Euro Dépôt Immobilier S.A.S.U. [11]
Forge Steel Limited [8]
Geared Up Limited [8]
Halcyon Finance Limited [2]
Halcyon S.A.R.L. [1]
Immobilière de l'Epinoy S.A.S.U. [1]
KF3 S.A.S.U. [1]
KF5 S.A.S.U. [1]
KF6 S.A.S.U. [1]
KF7 S.A.S.U. [1]
KFL1 S.A.S.U. [1]
KFL2 S.A.S.U. [1]
KFL5 S.A.S.U. [1]
KFL6 S.A.S.U. [1]
KFL7 S.A.S.U. [1]
KFL8 S.A.S.U. [1]
KFS Sp. z o.o. [12]
Kingfisher Asia Limited [16]
Kingfisher B.V. [17]

Kingfisher Digital Limited [2]
Kingfisher France Limited [2]
Kingfisher France S.A.S. [13]
Kingfisher France Services S.A.S.U. [1]
Kingfisher Group Limited [2]
Kingfisher Holdings B.V. [17]
Kingfisher Holdings Limited [b, 2]
Kingfisher Information Technology Services (France) S.A.S.U. [1]
Kingfisher Information Technology Services (UK) Limited [2]
Kingfisher Insurance Designated Activity Company [18]
Kingfisher International Finance S.A. [c, 19]
Kingfisher International Holdings B.V. [17]
Kingfisher International Holdings Limited [2]
Kingfisher International Holdings S.A.S.U. [1]
Kingfisher International Investments S.A.S.U. [1]
Kingfisher International Products France S.A.S.U. [1]
Kingfisher International Products Limited [2]
Kingfisher International Products RUS LLC [14]
Kingfisher Nominees Limited [2]
Kingfisher (Paddington) Limited [2]
Kingfisher Pension Trustee Limited [2]
Kingfisher Properties Investments Limited [2]
Kingfisher S.A.R.L. [1]
Kingfisher Scottish Limited Partnership [d, 7]
Kingfisher (Shanghai) Sourcing Consultancy Co. Limited [20]
Kingfisher Sourcing Eastern Europe Sp. z o.o. [12]
Kingfisher TMB Limited [6]
Kingfisher UK Investments Limited [2]
Kingfisher UK Limited [2]
KSO Istanbul Sourcing Ev Geliştirme Ürünleri ve Hizmetleri Limited Şirketi [21]
La Tourelle S.A.S.U. [11]
L'Immobilière Castorama S.A.S.U. [13]
Locke & Co Limited [8]
Martin Pecheur Finance S.A.R.L. [22]
Martin Pecheur Holdings Limited [23]
Martin Pecheur Investments Limited [24]
Martin Pecheur Limited [24]
Martin Pecheur S.A.R.L. [1]
Martin Pecheur Sterling Investments Limited [2]
Moretti (UK) Limited [8]
New England Paint Company Limited [2]
No Nonsense Limited [8]
Owl Developments Sp. z.o.o [12]
Paddington Investments Ireland Limited [20]
Pescador S.A.R.L. [1]
Plumbfix Limited [8]
Powersmith Limited [8]
Portswood B.V. [17]
Portswood Investments Limited [2]
ProLand Corporation LLC [25]
Praktiker Romania S.A. [26]
Screwfix Direct Limited [e, 8]
Screwfix Investments Limited [2]
Screwfix Limited [8]
Screwfix S.A.S.U. [1]
Screws Limited [8]
SFD Limited [8]
Sheldon Euro Investments Limited [2]
Sheldon Euro Investments 2 Limited [2]
Sheldon Holdings Limited [2]
Sheldon Poland Investments Limited [2]
Sheldon Sterling Investments Limited [2]
Site (UK) Limited [8]
SNC Dynastock [27]
Société Commanditée de Castorama Dubois Investissements Socodi S.A.R.L. [1]
Société Letranne S.C.I. [11]
Sorod S.A. [9]
Street Club Limited [6]
Titan Power Tools (UK) Limited [8]
Trade Point Limited [6]
Watersmith UK Limited [8]
Wildbird International Limited [f, 8]
Zeus Land Investments Limited [2]

Related undertakings other than subsidiaries

Crealfi S.A. (France, 49%) [28]
Koçtaş Yapi Marketleri Ticaret A.S. (Turkey, 50%) [29]

a. Kingfisher plc holds 1,000 Special Shares of £0.05 each, and 1,000 Special A Shares of £0.05 each – both representing 100% of the nominal value of each class of share. The shares held by Kingfisher plc represent less than 0.01% of the total issued share capital and are non-voting. The remaining shares in issue are Ordinary shares, have voting rights attached and are held by Kingfisher International Investments S.A.S.U.

b. The shares are held directly by Kingfisher plc.

c. 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.

d. Kingfisher Properties Investments Limited and Kingfisher Pension Trustee Limited are the limited partners; B&Q Properties Investments Limited is the general partner.

e. 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.

f. 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.

16 Related undertakings of the Group continued

Registered offices and country of incorporation:

1. Parc d'Activités, 59175 Templemars, France
2. 3 Sheldon Square, Paddington, London, W2 6PX, United Kingdom
3. Canada Court, Upland Road, St Peter Port, GY1 2AS, Guernsey
4. Gaspe House, 66-72 Esplanade, St. Helier, JE2 3QT, Jersey
5. 6th Floor, 2 Grand Canal Square, Dublin 2, Ireland
6. B&Q House, Chestnut Avenue, Chandlers Ford, Eastleigh, SO53 3LE, United Kingdom
7. 13 Albyn Terrace, Aberdeen, Scotland, AB10 1YB, United Kingdom
8. Trade House, Mead Avenue, Houndstone Business Park, Yeovil, BA22 8RT, United Kingdom
9. 1-3 Calea Giulesti, 2nd floor, Bricostore Commercial Centre, District 6, Bucharest, Romania
10. Rua Castilho, 5 - 1º Esq. Sala 12, Freguesia de San Mamede, Concelho de Lisboa, Portugal
11. 30-32 Rue de la Tourelle, 91310 Longpont-sur-Orge, France
12. ul. Krakowiaków 78, 02-255, Warsaw, Poland
13. Zone Industrielle, 59175 Templemars, France
14. Derbenevskaya nab. 7, Bld 8, 115114, Moscow, Russian Federation
15. C/ la Selva, 10 Inblau Edificio A 1a, 08820 El Prat de Llobregat, Barcelona, Spain
16. 21/F Cornwall House, 979 Kings Road, Quarry Bay, Hong Kong
17. Rapenburgerstraat 175, E, 1011 VM, Amsterdam, Netherlands
18. Willis Towers Watson House, Elm Park, Merrion Road, Dublin 4, Ireland
19. Regus Park Atrium, Rue des Colonies 11, 1000 Brussels, Belgium
20. Room 401, B&Q Commercial Building, 393 Yin Xiao Road, Pudong, Shanghai, 201204, China
21. Çolakoglu Is Merkezi Turgut Özal Bulvari , No: 82/3-4-5-6 Taşd, Çekmeköy, İstanbul, Turkey
22. 99 Grand-rue, L-1661, Luxembourg
23. 2nd Floor, 1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland
24. Ogier House, The Esplanade, St Helier, JE4 9WG, Jersey
25. 12 Krasnopresnenskaya Naberezhnaya, 123610, Moscow, Russian Federation
26. 1st floor, 319 L and M Splaiul Independentei, District 6, Bucharest, Romania
27. Chez Castorama, Parc d'Activités, 59175 Templemars, France
28. Rue du Bois Sauvage, 91038, EVRY CEDEX, France
29. Tasdelen, Sile otobani 11.Km.Alemdar Sapagi Sirri Celik Bulvari, No.1 C.Blok Cekmekoy, Istanbul, Turkey

Group five year financial summary

£ millions	2013/14[1,2] 52 weeks	2014/15[2,3] 52 weeks	2015/16 Calendar year[4]	2016/17 Calendar year	**2017/18 Calendar year**
Income statement					
Sales	11,125	10,966	10,441	11,225	**11,655**
B&Q China sales	(421)	(361)	(110)	–	**–**
Adjusted sales	10,704	10,605	10,331	11,225	**11,655**
Retail profit	785	742	746	847	**849**
Central costs	(42)	(40)	(45)	(48)	**(46)**
Share of interest and tax of joint ventures and associates	(5)	(6)	(5)	(5)	**(4)**
Net finance costs before financing fair value measurements and exceptional items	(2)	(12)	(10)	(7)	**(2)**
Underlying pre-tax profit	736	684	686	787	**797**
Transformation P&L costs	–	–	–	(44)	**(114)**
Adjusted pre-tax profit	736	684	686	743	**683**
B&Q China operating loss	(6)	(9)	(4)	–	**–**
Share of Hornbach post-tax results	14	–	–	–	**–**
Exceptional items (before tax)	17	(35)	(166)	17	**–**
Financing fair value remeasurements	(2)	4	(4)	(1)	**(1)**
Profit before taxation	759	644	512	759	**682**
Income tax expense (including exceptional items)	(49)	(71)	(100)	(149)	**(197)**
Profit for the year	710	573	412	610	**485**
Balance sheet					
Goodwill and other intangible assets	2,639	2,672	2,673	2,707	**2,792**
Property, plant and equipment and investment property	3,675	3,233	3,237	3,613	**3,756**
Investments in joint ventures and associates	32	28	23	23	**25**
B&Q China investment	–	–	62	–	**–**
Assets and liabilities held for sale	208	79	6	–	**–**
Other net current (liabilities)/assets[5]	(19)	182	55	51	**368**
Post-employment benefits	(100)	112	159	131	**99**
Other net non-current liabilities[5]	(356)	(405)	(575)	(395)	**(360)**
Capital employed	6,079	5,901	5,640	6,130	**6,680**
Equity shareholders' funds	6,308	6,220	6,186	6,771	**6,748**
Non-controlling interests	9	10	–	–	**–**
Net cash	(238)	(329)	(546)	(641)	**(68)**
Capital employed	6,079	5,901	5,640	6,130	**6,680**
Other financial data					
Like-for-like sales growth	0.3%	0.9%	2.3%	2.3%	**(0.7%)**
Effective tax rate[6]	26%	27%	26%	26%	**30%**
Basic earnings per share (pence)	30.0	24.3	17.8	27.1	**22.1**
Adjusted basic earnings per share (pence)	23.0	21.3	22.0	24.4	**21.8**
Underlying basic earnings per share (pence)	23.0	21.3	22.0	25.9	**25.5**
Ordinary dividend per share (pence)	9.9	10.0	10.1	10.4	**10.82**
Gross capital expenditure[7]	304	275	333	406	**368**
Number of stores[8]	1,079	1,153	1,156	1,194	**1,280**

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. 2014/15 restated for IFRIC 21, 'Levies', resulting in a restatement of balance sheet payables, deferred tax and equity shareholders' funds.
4. 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 impacted the UK & Ireland business with all other businesses already reporting on a calendar basis. This change had no material impact on the Group's results.
5. Other net current (liabilities)/assets and other net non-current liabilities reported above exclude any components of net cash.
6. 2017/18 effective tax rate (ETR) includes the impact of a one-off French tax surcharge. This increased the ETR by c.3%.
7. Excluding business acquisitions.
8. Excluding joint ventures and associates. 2017/18 excludes 3 Praktiker Romania stores that will be closed.

Shareholder information

AGM

Our 2018 Annual General Meeting will be held on Tuesday, 12 June 2018 at the Hotel Novotel London Paddington, 3 Kingdom Street, London, W2 6BD, at 2pm.

Financial calendar

The proposed financial calendar for 2018/19 is as follows:

First-quarter trading update	24 May 2018
Second-quarter trading update	16 August 2018
Half-year results to 31 July 2018	19 September 2018
Third-quarter trading update	21 November 2018
Final results to 31 January 2019	March 2019

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: +44(0) 370 702 0129
Website: 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. Please note that due to the regulations in the UK, Computershare are required to check that you have read and accepted the Terms & Conditions before being able to trade, which could delay your first telephone trade. If you wish to trade quickly, we suggest visiting their website and registering online first at www.computershare.trade.

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 www.investorcentre.co.uk. Before you trade you will need to register for this service. This can be done by going online at www.computershare.trade.

Unauthorised brokers (boiler room scams)
Kingfisher plc is legally obliged to make its share register available to the general public. Consequently some shareholders may receive unsolicited mail, including correspondence from unauthorised investment companies. We are aware that some shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based brokers who target UK shareholders offering to sell what often turn out to be worthless or high-risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Details of any share dealing facilities that the company endorses will be included in company mailings.

Share price history

	£ per ordinary share*		Dollars per ADR**	
Financial year	High	Low	High	Low
2017/18	3.68	2.88	10.21	7.60
2016/17	3.86	3.07	10.97	7.97
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 2018

Classification of Holder	Holdings	%	Shares	%
Individuals	18,609	91.61	28,827,296	1.33
Bank or Nominees	1,564	7.70	2,113,994,412	97.84
Investment Trust	18	0.09	66,053	0.00
Insurance Company	5	0.02	25,163	0.00
Other Company	97	0.48	7,251,188	0.34
Pension Trust	1	0.00	67,113	0.00
Other Corporate Body	21	0.10	10,527,846	0.49
Total	20,315	100.00	2,160,759,071	100.00

Size of holding	Share-holders	%	Shares	%
0–500	9,810	48.29	1,851,961	0.09
501–1,000	3,562	17.53	2,618,148	0.12
1,001–5,000	4,949	24.36	10,809,147	0.50
5,001–10,000	749	3.69	5,306,730	0.25
10,001–100,000	691	3.40	21,646,077	1.00
100,001–500,000	288	1.42	70,041,447	3.24
500,001 and above	266	1.31	2,048,485,561	94.80
Total	**20,315**	100.00	**2,160,759,071**	100.00

Dividend

The interim dividend for the financial year ended 31 January 2018 of 3.33p per share was paid on 11 November 2017.

The table below provides the payment information for the final dividend of 7.49p per share, subject to shareholder approval at our 2018 Annual General Meeting:

Ex-dividend date	3 May 2018
Record date	4 May 2018
Final date for return of DRIP mandate forms/ currency elections	25 May 2018
Euro exchange rate notification	29 May 2018
Payment date and DRIP purchase	18 June 2018

Payment methods

From November 2018, Kingfisher will simplify how dividends are paid to our shareholders. Dividends will no longer be paid by cheque and will instead be paid by direct credit to shareholder bank accounts in June and November each year. Alternatively, shareholders can elect for the dividends to be reinvested as part of the Company's Dividend Reinvestment Plan (DRIP). Currently, shareholders can elect to receive their dividend by;

Cheque: Until November 2018, dividends will automatically be paid to shareholders by cheque, which will be sent by post to the shareholder's registered address. To continue to receive dividends post-November 2018, shareholders are encouraged to update their mandate instructions

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 Registrar;

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 receipts (ADRS)

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 on 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 (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, copies of the current and past annual reports and other presentations and results.

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 (KISP), the Kingfisher Alignment Shares and Transformation Incentive Plan (KASTIP), the Articles of Association and other documentation referred to in this Annual Report can be viewed at the registered office during normal business hours.

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Paul Moore, Kingfisher plc
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www.kingfisher.com

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, global and regional trade 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

(terms are listed in alphabetical order)

Alternative Performance Measures (APMs)
In the reporting of financial information, the Directors have adopted various Alternative Performance Measures (APMs), also termed non-GAAP measures of historical or future financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards (IFRS). These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements. Included in the glossary below are the definitions and references to reconciliations to the IFRS measures of the various APMs used by the Group. Throughout the glossary, alternative performance measures are denoted by the symbol †.

Adjusted† measures are before exceptional items, FFVR, amortisation of acquisition intangibles, related tax items and tax on prior year items including the impact of rate changes on deferred tax.

Adjusted pre-tax profit† is used to report the performance of the business at a Group level including both the benefits of our transformation programme and the associated costs. This is stated before exceptional items and FFVR. The exclusion of exceptional items and FFVR helps provide an indication of the Group's ongoing business performance. A reconciliation to statutory pre-tax profit is set out in the Financial Review (on page 33).

Banque de France data includes relocated and extended stores. http://webstat.banque-france.fr/en/browse.do?node=5384326

Constant currency† changes in total sales, LFL sales and retail profit reflect the year on year movements after translating the prior year comparatives at the current year's average exchange rates. These are presented to eliminate the effects of exchange rate fluctuation on the reported results.

CPR (cost price reduction) refers to the savings made on cost of goods sold.

Digital sales are sales derived from online transactions, including click & collect. This includes sales transacted on any device, however not sales through a call centre.

EBITDA† (earnings before interest, tax, depreciation and amortisation) is calculated as retail profit less central and transformation P&L 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 and transformation P&L costs, before depreciation and amortisation and property operating lease rentals. This measure is used in calculating the ratio of lease adjusted net debt to EBITDAR, to reflect the Group's leverage including capitalised leases which in accordance with current accounting standards do not appear on the balance sheet. A reconciliation from retail profit is set out in the Financial Review (on page 38).

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. The exclusion of items relating to prior years and those not in the ordinary course of business helps provide a better indication of the Group's ongoing rate of tax. A reconciliation to the overall tax rate is set out in the Financial Review (on page 36).

Exceptional items† – the principal items which are included 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, including certain restructuring costs of the Group's five-year transformation plan launched in 2016/17, and incremental acquisition integration costs.

FFVR† (financing fair value remeasurements) represents fair value fluctuations from financial instruments.

France consists of Castorama France and Brico Dépôt France.

Free cash flow† represents cash generated from operations (excluding exceptional items) less the amount spent on interest, tax and capital expenditure during the year (excluding business acquisitions and disposals and asset disposals). This provides a measure of how much cash the business generates that can be used for expansion, capital returns and other purposes. A reconciliation from operating profit is set out in the Financial Review (on page 37).

GNFR (Goods Not For Resale) covers the procurement of all goods and services a retailer consumes (including media buying, mechanical handling equipment, printing & paper).

Lease adjusted ROCE† – Post-tax retail profit less central costs and transformation costs, excluding exceptional items and property lease costs, divided by lease adjusted capital employed excluding historic goodwill, net cash and exceptional restructuring provision. The measure provides an indication of the ongoing returns from the capital invested in the business including capitalised leases. 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. This measure is used widely in the retail industry as an indicator of sales performance on a comparable basis.

Net cash† comprises cash and cash equivalents and short term deposits, less borrowings and financing derivatives (excluding accrued interest). A reconciliation to balance sheet amounts is provided in note 31 of the consolidated financial statements.

New Country Development consists of Screwfix Europe, Portugal and Romania.

Other International consists of Poland, Portugal, Romania, Russia, Screwfix Europe, Spain and Turkey (Koçtaş JV).

Retail profit† is stated before central costs, transformation costs, exceptional items and the Group's share of interest and tax of JVs and associates. This is the Group's operating profit measure used to report the underlying performance of our retail businesses including the sustainable benefits of our transformation plan. A reconciliation to operating profit is provided in note 4 of the consolidated financial statements.

Sales refer to Group sales excluding Joint Venture (Koçtaş JV) sales.

SKU (Stock Keeping Unit) is defined as the number of individual variants of products sold or remaining in stock. It is a distinct type of item for sale, such as a product and all attributes associated with the item type that distinguish it from others. These attributes could include, but are not limited to, manufacturer, description, material, size, colour, packaging and warranty terms.

Transformation costs† represent the additional costs of the ONE Kingfisher transformation programme launched in 2016/17. They comprise 'transformation exceptional costs', 'transformation P&L costs' (i.e. non-exceptional items) and 'transformation capex' (capital expenditure).

Transformation P&L† costs represent the additional costs that arise only as a result of the transformation plan launched in 2016/17. These costs principally relate to the unified and unique offer range implementation and the digital strategic initiative.

Underlying pre-tax profit† is stated before transformation P&L costs, exceptional items and FFVR. The exclusion of transformation P&L costs (in addition to exceptional items and FFVR) helps provide an indication of the Group's underlying business performance, which includes the sustainable benefits of the transformation plan. A reconciliation to statutory pre-tax profit is set out in the Financial Review (on page 33).

Unifying ranges means rationalising the number of global SKUs and suppliers whilst improving the quality and functionality for our customers and leveraging our scale. This generates cost price reduction and better prices for customers. Products are unified across the whole range; from selling the same product in all our markets to having some customer driven market adaptions where needed. Unified extends to our own exclusive brands alongside international and national brands.

Unique ranges relate to the development of our own product ranges that excite customers. These ranges are not available elsewhere and are always sold under our own exclusive brands. Instead of buying products off the shelf from suppliers, we are designing the ranges ourselves based on our deep customer insights.

UK & Ireland consists of B&Q in the UK & Ireland and Screwfix UK.

IMAGE REMOVED

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