2016/17 Annual Report & Accounts

ONE Kingfisher

OUR JOURNEY HAS BEGUN

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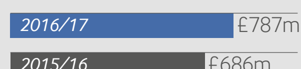
Financial highlights

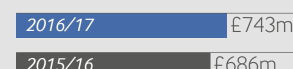
UNDERLYING PRE-TAX PROFIT†

£787m
+ 14.7%



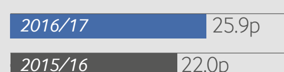
ADJUSTED PRE-TAX PROFIT†

£743m
+ 8.3%



UNDERLYING BASIC EARNINGS PER SHARE†

25.9p
+ 17.7%

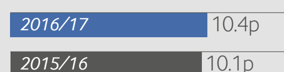


ADJUSTED BASIC EARNINGS PER SHARE†

24.4p
+ 10.9%

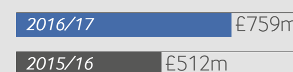
FULL YEAR DIVIDEND†

10.4p
+ 3.0%



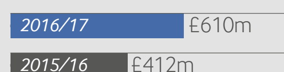
STATUTORY PRE-TAX PROFIT†

£759m
+ 48.2%



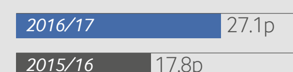
STATUTORY POST-TAX PROFIT†

£610m
+ 48.1%



BASIC EARNINGS PER SHARE†

27.1p
+ 52.2%



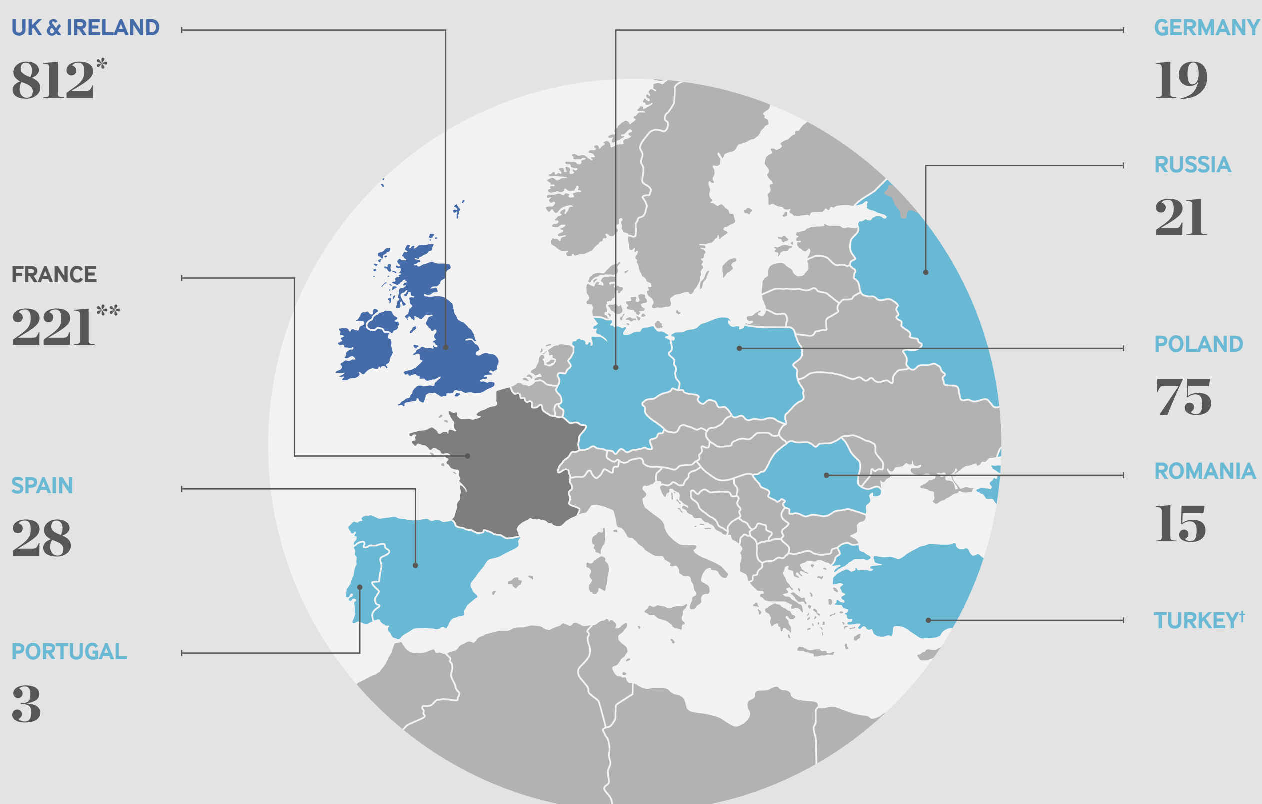
† See the Financial Review on page 30. Underlying measures exclude transformation costs and exceptional items. Adjusted measures exclude exceptional items. Above measures are on a reported currency basis.

Kingfisher at a glance

Kingfisher plc is a home improvement company with nearly 1,200 stores in 10 countries across Europe.

We employ 77,000 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.



1,194† stores

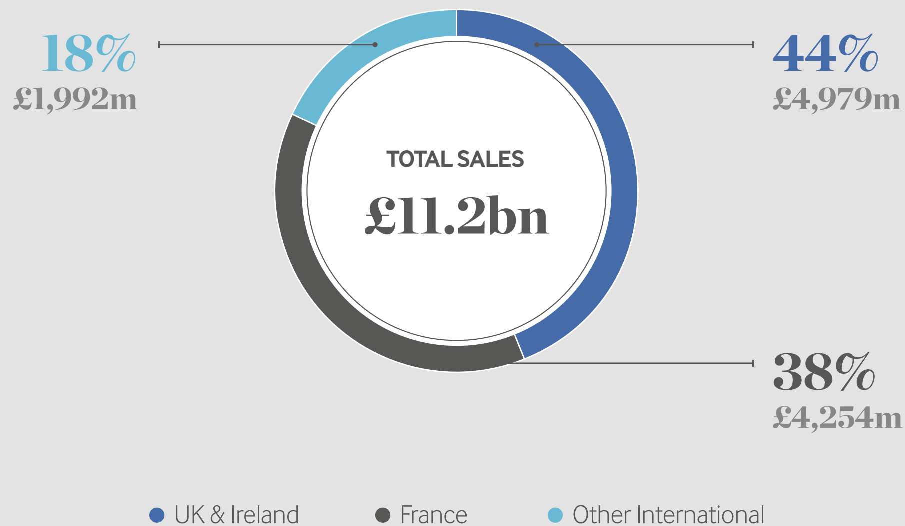
77,000†§ colleagues

● UK & Ireland ● France ● Other International

* B&Q 295, Screwfix 517.
** Castorama 102, Brico Dépôt 119.

† Turkey joint venture not consolidated.
§ Total, not full-time equivalent (FTE).

Geographic contribution



Sustainability achievements

28%

of our sales come from sustainable products, which have a positive or much lower impact on people and the environment.

96%

of the wood and paper used in our products is responsibly sourced.

For information about our sustainability programmes see pages 28 to 29.

Chairman's statement

It is a pleasure to report another solid year of progress at Kingfisher. The financial performance was ahead on all key measures with the business delivering a solid start to the transformation programme, which we announced a year ago. The plan aims to create a single, unified company where customer needs come first. The transformation also aims to deliver £500 million of sustainable annual profit uplift by the end of Year 5, over and above 'business as usual'.

Turning to the figures for the year, underlying pre-tax profit was up 14.7% to £787 million. This was driven by sales growth in the UK and Poland as well as £30 million of benefits from our Goods Not For Resale programme, which is delivering earlier than planned. In addition, favourable currency movements contributed £52 million on the translation of non-Sterling retail profits. The full year dividend is 10.4p, up 3.0%. In addition, we returned £200 million to shareholders via a share buy-back programme.

In the UK & Ireland, retail profit grew by 9.9% to £358 million. B&Q grew like-for-like sales by 3.5%, of which 2.6% resulted from sales transference associated with store closures. Screwfix grew like-for-like sales by 14%. During the year, Screwfix opened its 500th store, with an increased overall target of 700 stores in the UK. In France, retail profit was broadly flat at £353 million, despite weaker sales. In our Other International operations, retail profit increased by 14.5% to £136 million, driven by Poland.

We have also delivered our key strategic milestones for the first year. These include achieving 4% unified ranges across our business and implementing the unified IT platform at B&Q, with the roll-out to Castorama France now underway. Our second year will be even bigger in terms of activity. We are aware of the challenges as we move into the second year of our transformation and are taking steps to ensure we manage the step-up in activity.

We are committed to being a truly sustainable company. Today, 28% of our sales come from sustainable home products, which have a lower environmental impact. Our Offer & Supply Chain function is integrating sustainability into the development of our unique and unified ranges so we can have an even greater positive impact in future.

In March, we announced that I will be standing down from the Board at our Annual General Meeting (AGM) in June after eight years as Chairman, and 11 on the Board. It has been a privilege to have chaired this business and I am very proud of its progress. This is a particularly exciting period for Kingfisher, with an ambitious transformation plan and a dynamic leadership team, led by Véronique Laury. We are now at the end of the first year of our plan, and I believe it is the right time for a new Chairman to oversee its full delivery.

I am delighted that Andy Cosslett will be appointed to the Board as a non-executive director and Chairman-elect on 1 April 2017, to succeed me as Chairman in June 2017, with shareholders' approval. Andy is a very experienced board director, having been CEO of Intercontinental Hotels Group for six years, as well as having a strong track record in consumer-related businesses, such as Unilever and Cadbury Schweppes. I would like to take this opportunity to welcome Andy to the Board and wish him every success as Chairman.

And finally, I would like to pay tribute to the 77,000 colleagues who serve our customers every day. Their hard work and commitment is the lifeblood of the business.

Daniel Bernard
Chairman

Our journey has begun

Just over a year ago we announced our transformation plan, focused on putting customer needs first. This report provides updates on our ambition, our plan, our progress in the first year and our journey to create ONE Kingfisher.

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.

Find out more: pages 5 to 9

The ONE Kingfisher five year plan, which started in 2016/17, will leverage 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'.

Find out more: pages 11 to 15

ONE YEAR

This is the first year of our five year transformation plan. It has been a very productive and important year, which has delivered sales and profit growth. This performance has been achieved alongside delivering the key first year strategic milestones.

Find out more: pages 17 to 23

ONE KINGFISHER

Through our ONE Kingfisher ambition, we are reorganising ourselves to operate as one company. We are also developing a new culture of curiosity, simplicity, humility, excellence and working together as one. Because our colleagues are the ones who are making our ambition a reality, we want them to feel good about working at Kingfisher. We also aim to be a truly sustainable company, because we believe a good home is a sustainable one.

Find out more: pages 25 to 29

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ONE 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.

Our ambition

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.

The home is at the heart of people's lives. After their loved ones, there is nothing more important for people than their home. But many people don't have the home that they want or they deserve. That is why 170 million households across Europe undertook home improvement projects last year[1].

The home improvement market is huge. There are 320 million homes in Europe, which are mostly old. The average age of housing stock in Europe is between 50 and 60 years. And the European home improvement market is worth £235 billion. Out of household spending, housing (including home equipment and maintenance) is the top priority for people, above food, transport and leisure[2].

Across Europe, people find that starting, completing and keeping up with improvements to their homes is more difficult than it needs to be. They don't have the skills, knowledge, resources, inspiration, support, time or muscles!

Despite all these challenges, people remain determined, because having a good home is a major source of happiness and pride. Ask anyone who has ever swung a hammer, tiled a floor, or painted a room, and they'll tell you that, once it's done, it's all worth it.

There is an opportunity to help more people do more in their homes by solving what they call their home improvement "nightmare". We at Kingfisher want to unlock this opportunity.

We are going to really understand customers' needs, their home improvement journeys, the way they live, and the way they shop.

Lots of things are changing for customers:

- demographics: 30-45% of homes in Western Europe are single households;
- urbanisation: today, 54% of the world's population lives in urban areas, which is expected to increase to 66% by 2050[3];
- the internet: there are more than 3 billion[4] internet users around the world today.

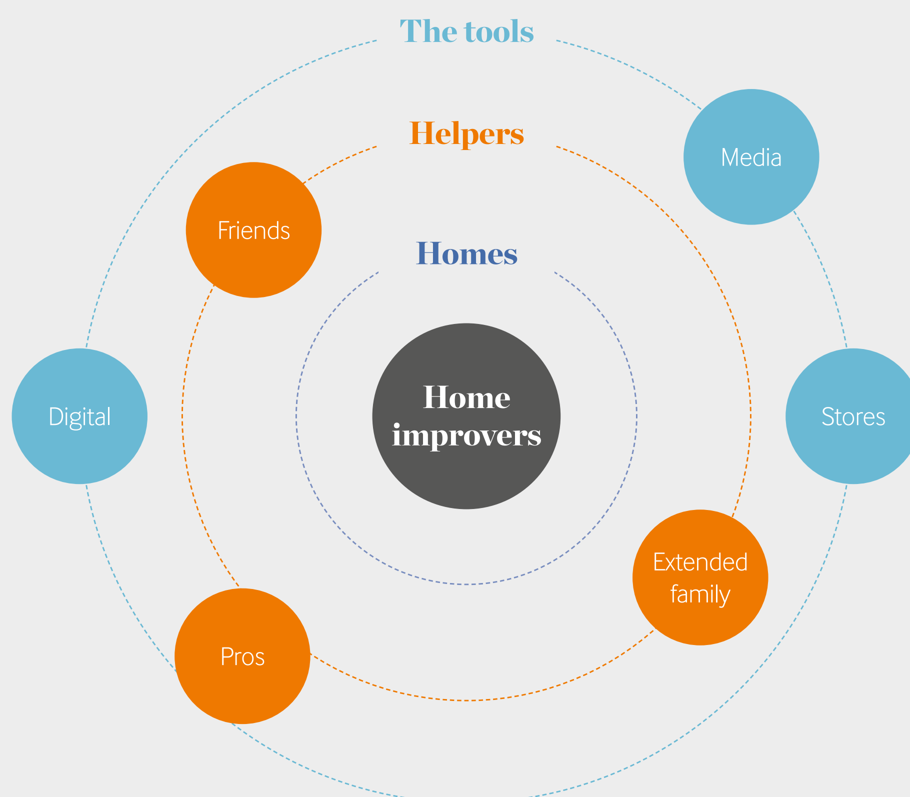
Their expectations are changing too. They want great prices and convenience. They want autonomy and help. They want inspiration and technical support. They want to shop in stores and online.

We have an opportunity to mobilise the desire that people have to improve their homes and meet customers' demands in a way they didn't expect. By embracing this challenge and this opportunity, we will become the leading home improvement company.

(1) Source: Eurostat, National Statistical Office, Kingfisher Usage and Attitudes survey by Harris interactive-2015.
(2) Source: Eurostat Households statistics (Europe 28) + 'The EU in the World Report 2015' (Russia).
(3) Source: www.un.org/en
(4) Source: www.InternetLiveStats.com

Our home improvement ecosystem

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.

At Kingfisher, we stand for being for all home improvers. And they are many: three-quarters of the population of Europe visited a home improvement store last year[1].

HOMES

At the heart of our customers' lives are their homes. People have an emotional connection with their home. It is where they raise their families, see their friends and express themselves. People undertake home improvement: because their family is changing, their life is changing and so their home needs to adapt and evolve; for functional reasons; and for aesthetic reasons.

HELPERS

Even if people desire to improve their homes, they are not always able, or they do not always want, to do it on their own. 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 neighbour who does small jobs, the handy uncle who is willing to get involved, or the professional tradesperson.

THE TOOLS

For most customers, the 'tools' of their home improvement project invariably start with digital, whether that be researching for ideas and inspiration, 'how to do it' videos or price comparisons. Home improvement is something that people want to feel and see. So the second 'tool' in home improvement projects is our stores.

(1) Kingfisher Usage and Attitudes survey by Harris Interactive-2015.

Our framework for action

actions

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

We will think of customer needs first

We will design a seamless customer process

We will create a unique and leading offer with an integrated supply chain

We will create a leading customer experience in our stores

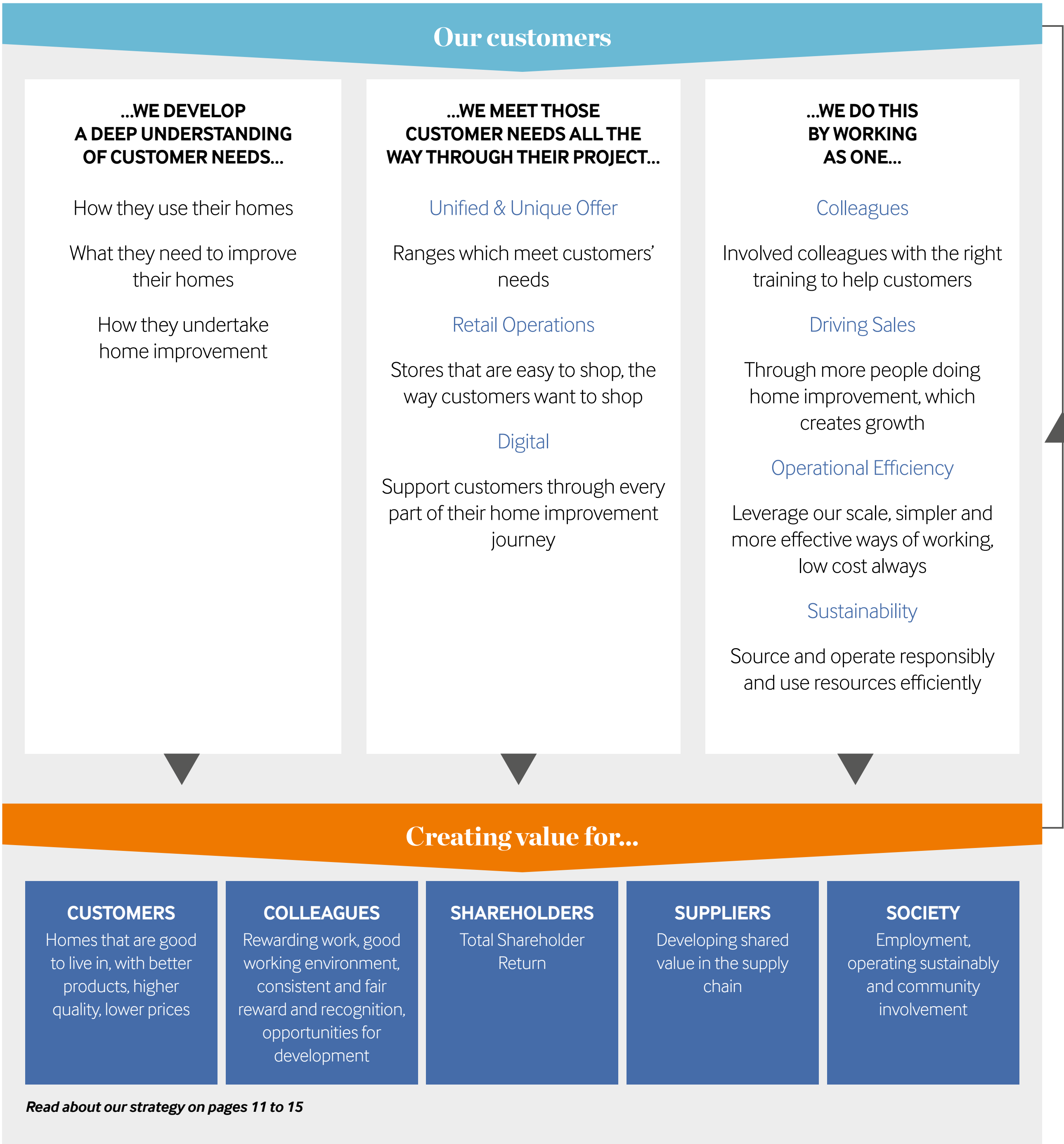
We will be a truly sustainable company

We will work as One

We will be low cost always

Our business model

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



Read about our strategy on pages 11 to 15

ONE PLAN

The ONE Kingfisher five year plan, which started in 2016/17, will leverage 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'.

Chief Executive Officer’s statement

Starting with the customer first, we made a commitment to make home improvement accessible for everyone, and we are changing our business to support this ambition.

In January 2016, the leadership team and I set out our plan to transform Kingfisher and to become the leading home improvement company. We have visited thousands of people's homes over the past few years to listen and learn directly from our customers what the reality of their lives in their homes is like. Starting with the customer first, we made a commitment to make home improvement accessible for everyone, and we are changing our business to support this ambition.

Since then we have been working hard across the business towards the strategic milestones we set out for the first year, as well as focusing on 'business as usual'. The commitment and dedication of our people is what is making our progress and success possible, and I am really pleased with what we have achieved this year.

"We set ourselves a big challenge, and I am delighted with our performance. We have delivered our key strategic milestones for Year 1."

Before I talk about the future, let me take a look back at what we have done over the last 12 months. We set ourselves a big challenge, and I am delighted with our performance. We have delivered our key strategic milestones for Year 1. We have also delivered both sales and profit growth, driven by the UK and Poland, and we have benefited from operational efficiencies coming through earlier than planned.

We have progressed well towards creating a unified, unique and leading home improvement offer. We know that our customer needs across our markets are more similar than different, and we have begun unifying our offer to answer their needs.

The benefit to customers is a choice of unique and higher quality products at lower prices, alongside significant business benefits such as higher sales and improved processes. We have successfully unified 4% of our products (cost of goods sold) including batteries, tool storage and kitchen sink ranges. This will increase to 20% next year.

In 2017 we are launching ONE Kingfisher's first unique ranges, designed, developed and priced affordably based on deep customer insights into how they live. The first product ranges are for Outdoor and Bathroom which are rolling out over the year to our stores. The new Outdoor products include durable and easy-to-install modular fence panels, uniquely designed sheds and garden furniture with built-in storage. In the Bathroom category, the clever new ranges are designed to make the most of limited space in what is generally regarded as the busiest and most space constrained room in the house. The ranges are supported by a brand new advertising campaign developed to connect with the real lives of customers. Teams right across Kingfisher have worked together to bring these ranges to life and I would like to congratulate everyone involved.

Digital is another key strategic pillar in our plan. We want to deliver a stronger digital offer to our customers. Behind the scenes, we have completed the roll-out of our unified IT platform at B&Q stores ahead of plan, and have almost finished with back office and supply chain. We are progressing with the roll-out in Castorama France too. We are also continuing to invest in our website capabilities, and we are developing a digital platform to help our customers through every step of their home improvement journey. I believe these solutions are revolutionary and will be a game changer in the future.

The third transformational pillar is Operational Efficiency where we have achieved savings ahead of plan, driven mainly by our Goods Not For Resale programme.

Alongside these pillars, Retail Operations is a key focus area for us. Last year we launched four Big Box best practice stores, in the UK, France, Poland and Russia and early results are encouraging. Cross-functional and market teams worked as one to build the approach together. In addition, we celebrated the opening of our 500th Screwfix store in the UK, and a further 10 in Germany.

It has been a busy and exciting time for our business and I am pleased with our performance this year, as well as the delivery of our key Year 1 milestones. We have learned a lot along the way and we have taken on board these learnings as we prepare for our second year of the plan, and start planning for Year 3. In 2017/18 the level of activity across the company will increase, and we are ready for this.

Over the course of the year, I have strengthened our leadership team with two key Group Executive appointments. Jean-Paul Constant joined us in the summer as Chief Sales and Retail Operations Officer after spending 30 years at Decathlon in the UK, France and Australia. Jean-Paul is leading the ONE Kingfisher Retail Operations strategy for the company, working closely with the CEOs of our retail operations. Alastair Robertson joined as our Chief People Officer in October after holding senior roles, most recently at Tetra Pak and C&A. He will drive our vitally important people agenda. In addition, Marc Ténart was appointed to the role of CEO of Kingfisher France, and will have responsibility for Castorama and Brico Dépôt in France. Marc has held a number of senior roles at Kingfisher, most recently as CEO of Castorama France.

I would like to take the opportunity to say a few words about our people. As I go around our business visiting stores, distribution centres and offices, I am constantly impressed by the dedication, enthusiasm and expertise of our people. Our colleagues are a vital part of our journey and one of the key strengths of our business. This year some of our businesses won awards for being great places to work. Congratulations to Screwfix in the UK, Brico Dépôt in Spain and Castorama in Poland.

"Next year the level of activity across the company will increase, and we are ready for this."

"As I go around our business visiting stores, distribution centres and offices, I am constantly impressed by the dedication, enthusiasm and expertise of our people."

Looking ahead, we are in a globally challenging political and economic environment. Some events occurred last year that were not widely expected, like the result of the EU referendum in the UK, and other equally unpredictable events may still happen in the future. Longer term, supported by the expertise and energy of our colleagues, we remain confident in our ability to deliver our plan, which is our key growth driver, both from the financial benefits the transformation will unlock and the stronger business it will create.

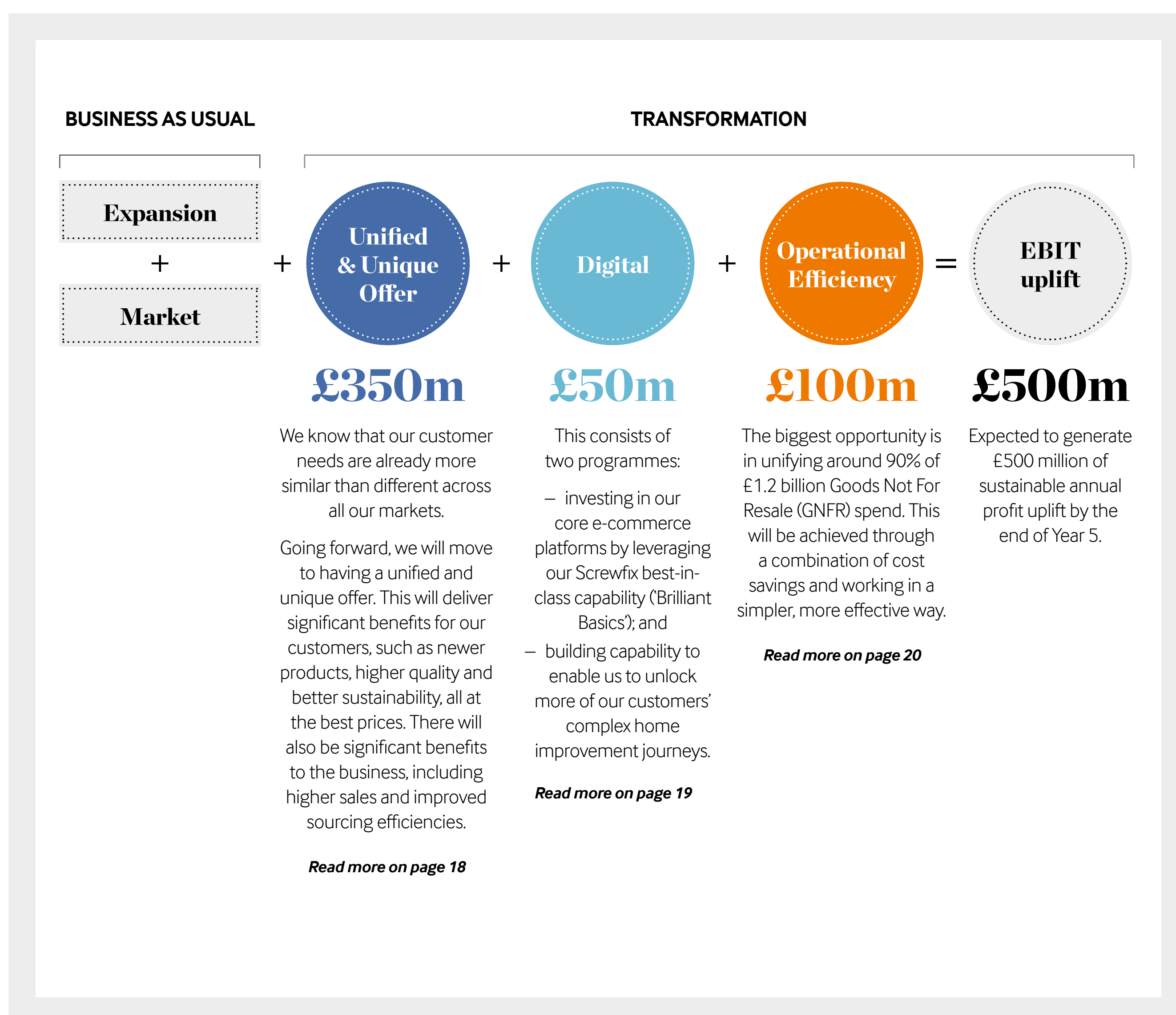
In June our Chairman, Daniel Bernard, will step down after serving 11 years on the Board, and eight as Chairman. I would like to take the opportunity to personally thank Daniel for his support and counsel to the business. His deep understanding of retail, his passion for people and his great leadership, have been invaluable to Kingfisher, the Board, the leadership team and of course, to me. He has overseen new strategic thinking as well as the successful first year of transformation with challenge and dedication. I am happy that Andy Cosslett will join the Board in April and succeed Daniel as Chairman in June. Andy's consumer industries experience from companies such as Unilever, Cadbury Schweppes and Intercontinental Hotels Group, will be a great asset and addition to the Board. I am looking forward to working with Andy and the Board as we progress our plan.

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 macroeconomic backdrop in our respective markets. Until we have unified our customer offer, we will have limited expansion, the focus of which, in the medium-term, will be Screwfix both in the UK and in Europe.



For a review of what we have identified as the principal risks to delivering our strategy see page 38.

ONE YEAR

This is the first year of our five year transformation plan. It has been a very productive and important year, which has delivered sales and profit growth. This performance has been achieved alongside delivering our key first year strategic milestones.

Progress against our Year 1 strategic milestones

We have delivered the key first year strategic milestones of our ambitious five year transformation plan. The following pages provide more detail behind each one.

Unified & Unique offer	Achieve 4% unified cost of goods sold (COGS)	✓
	Deliver new ONE Offer & Supply Chain Organisation	✓
Digital	Complete unified IT platform roll-out in B&Q[1] and start Castorama France roll-out	✓
	Build Digital 'Brilliant Basics' platform for B&Q	✓
Operational Efficiency	Complete the closure of around 15% surplus space at B&Q (65 stores)	✓
	Deliver £20 million of benefits from unified GNFR programme	✓

(1) Substantially complete.

UNIFIED, UNIQUE AND LEADING OFFER

We have started unifying our offer. This will deliver significant customer benefits (newer products, higher quality, better sustainability, lower prices, simpler ranges, clearer merchandising and better packaging) alongside significant business benefits (higher sales, fewer Stock Keeping Units (SKUs), fewer suppliers, cost price reduction (CPR) and improved processes).

Achieve 4% unified cost of goods sold

We have unified 4% of COGS across the year with an exit rate of 8%, including air treatment, light bulbs, kitchen sinks and ladders. Sales excluding clearance on those ranges were slightly ahead of last year, with cost of change and CPR delivering in line with expectations. On these ranges we have reduced the total number of SKUs across the company from c.28,000 to c.7,000, without impacting the choice on offer to customers in each country. The number of suppliers of these ranges has reduced from 840 to 130.

In addition, having undertaken in-depth studies of customer needs for outdoor and bathroom ranges, we are starting to land our first unique ranges across Kingfisher. These comprise features such as slim bathroom storage solutions, that make the most of limited space; easy-to-store, space efficient outdoor furniture and low maintenance, easy-to-install modular fencing.

Deliver new ONE Offer & Supply Chain Organisation

We are moving away from an organisation structure with nine buying and logistics teams, in nine Operating Companies which source and merchandise their own ranges independently. Instead, we are reorganising as ONE organisation, starting with our offer, with planning underway to develop an integrated supply chain network.

New unified global functions and roles started from June 2016, mostly as a result of internal moves, leading to lower transformation exceptional costs than originally anticipated for this year. New range teams, located across the UK and France are working closely with Operating Companies, who retain responsibility for activities such as trading, range implementation, local pricing and customer needs.

Launch of unique garden and outdoor ranges

We talked to thousands of customers about how they use their gardens and outdoor space and watched them make improvements. Ultimately, we discovered that customers across our markets want the same fundamental things. They want comfort and great functionality, combined with modern design. They want products that are easy to get home and assemble; products that are easy to move around, store and clean; and that are durable in the European weather! And crucially, they want things that are affordable. That's why we've created an exciting range of outdoor products that are unique to Kingfisher. This spring, we launched new, unique outdoor products that our customers will only find in our stores and online, and that are designed to reflect the realities of their lives.

INDUS SHED

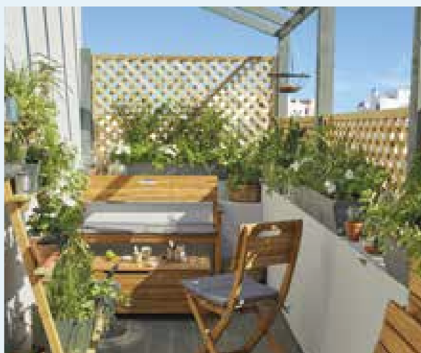
Our 'Little House' is the only metal shed of its kind on the market. It is a hybrid between a house, a shed and a greenhouse, in a Scandinavian design. Simple to build, it should only take three hours for two novice home improvers to construct.

DENIA GARDEN FURNITURE

This contemporary range of wooden furniture features folding and extending solutions as well as an innovative cushion box and easy-to-carry and store chairs and benches.

NEVA FENCE SYSTEM

The easy-to-use and flexible Neva fence system has endless practical and design possibilities, bringing indoor style to the outdoors. It is simple to build, with mix-and-match panels and posts for bespoke combinations in a variety of materials.



Using new hand held devices at B&Q, supported by the unified IT platform

DRIVING OUR DIGITAL CAPABILITY

The implementation of a unified IT platform is a key enabler of our ONE Kingfisher plan. It will also provide a significant opportunity, with a seamless and stronger digital offer for our customers, to substantially increase sales and digital penetration.

Complete unified IT platform roll-out in B&Q and start Castorama France roll-out

The B&Q store roll-out was completed in the first quarter, ahead of plan, with back office and supply chain now substantially complete. Six Castorama pilot stores were launched successfully in the second half, with the wider roll-out now underway.

Build Digital 'Brilliant Basics' platform for B&Q

This involves investing in our core e-commerce platforms, enabled by the new unified IT platform, and leveraging our Screwfix best-in-class capability.

The UK has started to benefit from upweighted digital marketing, improved site search and new checkout at Screwfix. All these areas are being further developed for both diy.com and castorama.fr. We are also developing a new company-wide mobile platform, due for launch during 2017.

Progress against our Year 1 strategic milestones continued

OPTIMISING OUR OPERATIONAL EFFICIENCY

The main driver will come from unifying around 90% of the £1.2 billion of annual spend on Goods Not For Resale. This programme is a combination of cost savings and an opportunity to work in a simpler and more effective way across the business.

Complete closure of around 15% surplus space at B&Q (65 stores)

The closure programme is now complete with 35 stores closed during 2016/17, taking the total to 65. Like-for-like sales transference benefit of 2.6% during the year has supported the business case for the closures. In the first quarter B&Q outsourced the remaining lease exits to a third party via a lease liability transaction. Of the 15 exits secured in 2016/17, 11 were undertaken by this third party. Of the 65 stores, we have now secured exits on a total of 55.

Deliver £20 million of benefits from unified GNFR programme

Alongside helping us to work in a simpler more effective way, we have achieved cost savings on categories reviewed so far. During the year, we achieved £30 million of benefit, £10 million ahead of our target at the start of the year, reflecting early delivery of the plan.

RETAIL OPERATIONS

Alongside these three strategic pillars, which collectively drive the £500 million of sustainable profit uplift by the end of Year 5, we are also working on our Retail Operations. In this area last year, we launched four Big Box best practice stores, in the UK, France, Poland and Russia in a first step towards convergence and early results are encouraging. In addition, we opened 60 Screwfix outlets in the UK and 10 in Germany.

Big Box best practice stores

In the summer of 2016 we opened four Big Box best practice stores in the UK, France, Poland and Russia. They bring together the best things we do across the company, marking a step-change in how we work together to make our customers' shopping experiences as easy and enjoyable as possible. For example, lighting and decor displays take their inspiration from France, tools from Poland, and garden centres from the UK. Similarly, bathroom displays have been reimagined to better reflect how they might look in our customers' own homes. We're constantly testing new formats for our customers, so this isn't the store of the future, but it's a step in the right direction and we're really proud of what we've achieved together.

Clockwise from top left: Russia, UK, Poland, France.

Screwfix 500th store

Screwfix reached a major landmark when it opened its 500th store in the UK, in Enfield, north London. Screwfix has opened one store per week, on average, for the past six years.

Our Year 2 strategic milestones

We are well set up to deliver Year 2 of our transformation, alongside preparing for Year 3.

The strategic milestones for 2017/18 are set out below:

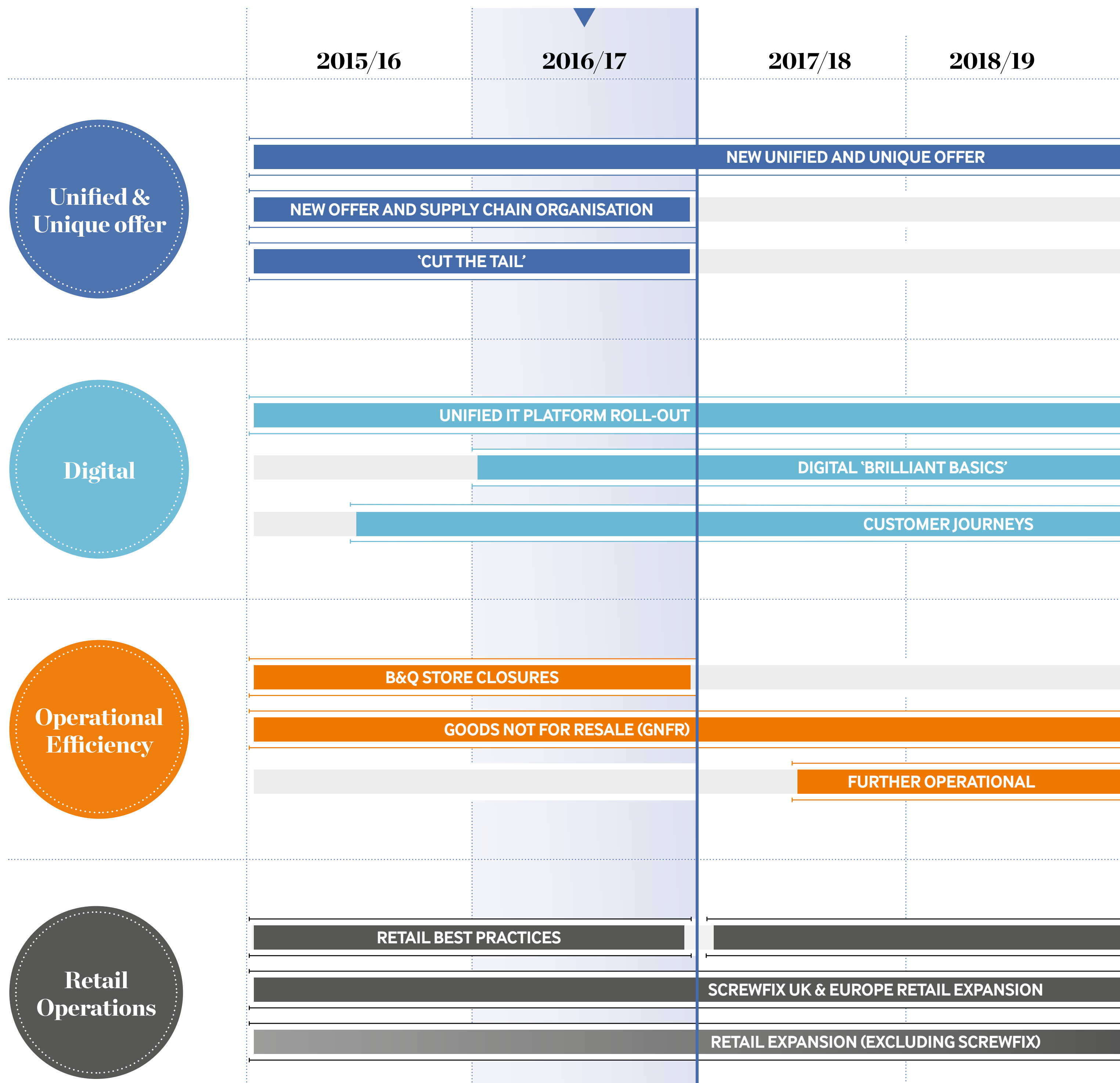
Unified & Unique Offer	Achieve 20% unified cost of goods sold (COGS)
Digital	Deliver Year 2 of three-year unified IT platform roll out alongside 'Brilliant Basics'
Operational Efficiency	Deliver a further £20 million of benefits from unified GNFR programme

PREPARING FOR YEAR 2

We have taken on board key learnings, as outlined below, and we are aware of the challenges as the level of transformation activity increases:

- *clearing of old ranges* – how and when we clear is now supported by group best practice to enable a consistent approach, to maximise customer availability and proposition while minimising the financial cost. Clearance has started and is so far on track;
- *remerchandising of new ranges* – how we physically remerchandise 25% of our company-wide store space is now supported by group best practice with resourcing plans in place; and
- *managing the volume of organisational change* – we have identified the need to approach the wider transformation as a series of 'change releases' to ensure appropriate cross-visibility and prioritisation.

A clear long-term roadmap



2019/20	2020/21	2016/17 strategic milestones delivered	2017/18 strategic milestones
		Achieved 4% unified cost of goods sold	Achieve 20% unified cost of goods sold
		Delivered new ONE Offer & Supply Chain Organisation	
		Completed unified IT platform roll-out in B&Q[(1)] and started Castorama France roll-out	Deliver Year 2 of three-year unified IT platform roll-out alongside 'Brilliant Basics'
		Built Digital 'Brilliant Basics' platform for B&Q	
		Completed closure of around 15% surplus space at B&Q (65 stores)	Deliver a further £20 million of benefits from unified GNFR programme
EFFICIENCY INITIATIVES		Delivered £30 million of benefits from unified GNFR programme (£10 million ahead of target of £20 million)	
STORE OF THE FUTURE		Launched four Big Box best practice stores in the UK, France, Poland and Russia	Start to develop store concept of the future
		Opened 60 Screwfix outlets in the UK and 10 in Germany	Open 50 Screwfix outlets in the UK

(1) Substantially complete.

SCREWFIX

ONE KINGFISHER

Through our ONE Kingfisher ambition, we are reorganising ourselves to operate as one company. We are also developing a new culture of curiosity, simplicity, humility and excellence and working together as one. Because our colleagues are the ones who are making our ambition a reality, we want them to feel good about working at Kingfisher. We also aim to be a truly sustainable company, because we believe a good home is a sustainable one.

People: our journey so far

Our transformation plan is being delivered by people across Kingfisher. Everyone within Kingfisher – from store colleagues, to logistics managers, to buyers, to our CEO – has a vital role to play in helping us to achieve our ambition. We recognise that change is hard and that the pace at which we are changing is fast. So the aim of our People strategy is to ensure our colleagues are inspired and engaged, skilled and supported to deliver great performance and an outstanding customer experience. We want to engage and enable colleagues to work towards creating ONE Kingfisher, develop as individuals, deliver the brand promise and grow.

To achieve this, our Chief People Officer, Alastair Robertson, is working with the Human Resources leaders from across the company to review and develop our People philosophy and plan. We are focusing on what engagement means and how we leverage it during periods of transformation. We are also developing our reward mechanisms and improving our learning and development abilities for both our colleagues and our customers. We are building an environment where the value of working in Kingfisher is recognised as greater than the value of going to work. We want our people to get more out of working for us than they put in.

> **"We want our people to get more out of working for us than they put in."**

Aspire Talent Programme

B&Q's Aspire Talent Programme offers fast-paced and challenging structured learning, designed to get colleagues to where they want to go, but quicker than if they did it by themselves. It's a framework of development for those identified as having talent, drive and the potential to grow their B&Q career. It's completed within a six-month period alongside their current role, with a further four months to consolidate and apply their learning before the final Spotlight event. This marks the completion of the programme for the Aspirees, giving them the opportunity to share their progress with guests from around the business. This year, 258 colleagues have completed the programme, with 167 from our stores and 91 from our Store Support Office.

Offer & Supply Chain

One of the major People initiatives of the past year has been the creation of Kingfisher's new Offer & Supply Chain (OSC) function, with dedicated teams in Range, Sourcing, Commercial and the support functions.

OSC colleagues with Chief Offer & Supply Chain Officer, Arja Taaveniku (front left).

ACHIEVEMENTS THIS YEAR

Training and Development

- Castorama and Brico Dépôt France work in partnership with universities and business schools to recruit apprentices for undergraduate and master's degree placements. The programme offers a wide range of in-store placement opportunities. In 2016/17, a total of 713 apprentices were recruited across Castorama and Brico Dépôt France.
- Screwfix runs a number of programmes that develop people in their careers, all the way from the shop floor into management and leadership roles. Their store management '1st Steps' and 'Fast Track' programmes are fully accredited with City & Guilds and the Institute of Leadership and Management Level 2, 3 & 4 qualifications, with approximately 820 colleagues on the programmes in 2016/17.
- We are developing a new learning strategy for our colleagues to enhance their knowledge of home improvement and our new unified product ranges and to improve the service that we provide to customers.

713 apprentices were recruited across Castorama and Brico Dépôt France.

Engagement

During the year, Kingfisher received a number of awards for engagement, which recognised the company as a being a good employer:

Screwfix was named one of the Best Places to Work in the UK by Glassdoor's Employees' Choice Awards.

Castorama Poland was awarded the "Investor in Human Capital" award by the Management Observatory Institute in Poland.

Brico Dépôt Spain came top of the 'Best Workplaces Spain 2016' list, in the category for companies employing over 1,000 people. It is the first time that a retailer has topped the ranking in Spain. It is the fifth consecutive time that Brico Dépôt Spain has appeared in this list.

Sustainability: being a truly sustainable company

At Kingfisher we believe that a good home is a sustainable home. We want to support our customers in making sustainable choices, at affordable prices. We will make our home – our business – sustainable too.

As we transform our business we are working as ONE Kingfisher to embed sustainability into our ranges. We are developing the tools, accountabilities and processes to make sustainability part of how our people work in our Operating Companies, our global functions, our stores, and with our suppliers.

In 2012 we launched Net Positive – our aspiration to help customers create sustainable homes, to be restorative to the environment, and to improve life in the communities where we operate and in our supply chain. Since then, we have made strong progress and we achieved many of our milestones for 2016/17.

We are in the process of reviewing our sustainability goals to make sure they fully align with and support our business transformation. We will build on what we have learnt and the progress made to date for the next phase of our sustainability journey. A full update against our targets will be included in our Sustainability Report, which will be published in June 2017.

SUSTAINABLE HOME PRODUCTS

Our sustainable home products help our customers create good homes while having a positive or much lower impact on people and the environment. Today, 28% of our sales come from sustainable home products (2015/16: 28%), generating £3.1 billion for the business. During the year 40% of sales at B&Q came from sustainable home products, far exceeding our group target.

Our Offer & Supply Chain Sustainability Director and product sustainability experts are working with our product leads, designers, engineers and marketers to integrate sustainability into the development of our unique and unified ranges and customer communications.

We have updated our Sustainable Home Product Guidelines to make them easier to use and published them on our website (www.kingfisher.com/shpguidelines). The guidelines are endorsed by Arja Taaveniku, our Chief Offer & Supply Chain Officer. We have also created sustainability roadmaps with targets for each of our seven range categories and will launch sustainability training for all colleagues in our Offer & Supply Chain function.

WOOD AND PAPER

We have been working on the responsible sourcing of wood and paper for many years. Now, over 96% of the wood and paper used in our products is responsibly sourced.

We are working to integrate responsible sourcing of wood and paper into our processes for unified sourcing to enable us to further improve performance in future years.

We aim to have a positive impact by helping to protect and restore forests. For example, our partnership with the RSPB and their Birdlife partners is supporting their efforts to restore 100,000 hectares of Indonesian rainforest. This has enabled the replanting of areas of forest and provided training and economic opportunities for indigenous communities.

ENERGY AND CARBON

Our energy saving products help customers save money by reducing how much energy they use. Our customers have saved 12.8TWh of energy through sales of such products and services since 2011/12. We estimate this could save our customers over £840 million every year (based on the average UK household energy bill).

We are making savings in our business by improving energy efficiency. We will have installed renewable energy generation, such as solar panels, at three stores and four distribution centres by April 2017, with plans underway for another three distribution centres and 10 stores during 2017. Also in 2017, our UK operations will be moving to 100% renewable power, which will make a significant contribution to reducing our carbon footprint. We have cut our property carbon intensity by 25% since 2010/11. A breakdown of our carbon footprint is shown in the Directors' Report on page 89.

COMMUNITIES

We have supported 1,453 community projects since 2012/13. We continue to evolve our approach to community investment to ensure it fully supports our ambition. We have established a new partnership with the British Red Cross to support people affected by local and international emergencies.

Sustainability – what our customers think

We want to have a positive impact by helping our customers to live sustainably. We carried out research during 2016/17 to deepen our understanding of customer attitudes to sustainability and make sure we know what really matters to them. Our research covered 45 households in five markets and included visits to customer homes and their local stores.

The research showed that for many, making sustainable choices is often too complex or time consuming. People expect big brands to take a lead and to make sustainability simpler. They are most motivated when sustainability helps them to save money, or when it is better for their health and wellbeing and that of their family.

Solar roof panels for B&Q in Poole

Our B&Q store in Poole was the latest in the estate to be fitted with solar roof panels. This is the largest solar installation we have done on a store and complements the internal LED lighting that was installed previously.

The installation will produce energy equivalent to that needed to power 90 homes for a year, and will reduce the store's grid energy consumption by 23% per year. The store's roof is now home to 1,048 solar panels, which would cover an area the size of six tennis courts (or 1,500m^2).

Solar panels at B&Q Poole

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.

Our approach is guided by international conventions and standards including the United Nations (UN) Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. We are a member of the UN Global Compact.

Responsible sourcing

We aim to source from suppliers who meet high standards on human rights, employment practices and the environment. As we unify our sourcing through our Offer & Supply Chain function, this creates opportunities to develop closer relationships with our suppliers and improve standards. Our Supply Chain Workplace Standards outline our ethical labour standards for our suppliers and their production sites. We have integrated the standards into our unified vendor contract and we audit key suppliers against our standards based on our risk assessment framework. We are training our procurement professionals, our unified commercial teams and key suppliers on our standards. The standards can be found on our website at www.kingfisher.com/sustainability.

Modern slavery

We do not tolerate any form of modern slavery. We recognise that no supply chain is without risk of modern slavery. It is our responsibility to ensure we understand these risks and work in partnership with our suppliers to mitigate them. Following the introduction of the UK's Modern Slavery Act, we are working to improve our due diligence on modern slavery. More information will be provided in our Modern Slavery Act Transparency Statement, which will be published on our website in June 2017.

Better packaging for customers and the environment

New packaging for our unified kitchen tap range is saving resources and is better for our customers too. Taps now come in a triangular box which is 30% smaller than the previous packaging design. This saves 45 tonnes of packaging material each year and means more taps can be transported in each load, reducing freight costs and fuel use. The packs are easy to open for our customers and widely recyclable. We are reviewing the packaging design for all our unified and unique ranges to make sure it is always right for customers, right for our brands and products and right for the environment.

Financial review

Karen Witts
Chief Financial Officer

Reported **retail profit** grew by 13.5% including £52 million of favourable foreign exchange movement on translating foreign currency results into Sterling. In constant currencies retail profit grew by 6.1%, reflecting strong LFL performance in the UK and Poland, flat profits in France and including £16 million of new country development losses. Our ongoing focus on cash and tight capital discipline enabled continued investment in the business and the transformation, the payment of £230 million in cash dividends and a return of a further £200 million to shareholders via share buyback, while maintaining a strong balance sheet.

Total **adjusted sales** grew to £11.2 billion, up 1.7% on a constant currency basis with LFL sales up 2.3%. On a reported rate basis, which includes the impact of exchange rates, adjusted sales increased by 8.7%. During the year, sales growth benefited from 38 net new stores, driven by 60 Screwfix outlet openings in the UK, offset by the B&Q store closures (65 over two years; 35 in FY 2016/17).

As previously announced, Kingfisher disposed of a controlling 70% stake in B&Q China on 30 April 2015. On 23 March 2016 Kingfisher exercised its option to dispose of the remaining 30% economic interest, with the agreement of Wumei Holdings Inc. ("Wumei"). Following regulatory approval, Kingfisher received net proceeds of £63 million in July 2016, completing the transaction.

Underlying pre-tax profit, which excludes the impact of transformation P&L costs, exceptional items and FFVR, increased by 14.7%, to £787 million, in line with reported retail profit.

Adjusted pre-tax profit, which excludes the impact of exceptional items and FFVR, increased by 8.3% to £743 million, reflecting £44 million of transformation P&L costs.

Statutory pre-tax profit, which includes the impact of transformation costs, exceptional items and FFVR, increased by 48.2% to £759 million, reflecting an exceptional gain compared to a charge last year (see opposite).

A summary of the reported financial results for the year ended 31 January 2017 is set out below:

	2016/17	2015/16	% Reported Change	% Constant Currency Change
Adjusted sales	**£11,225m**	£10,331m	+8.7%	+1.7%
Statutory sales[1]	**£11,225m**	£10,441m	+7.5%	+0.7%
Retail profit	**£847m**	£746m	+13.5%	+6.1%
Underlying pre-tax profit	**£787m**	£686m	+14.7%	
Transformation P&L costs[2]	**£(44)m**	–	n/a	
Adjusted pre-tax profit	**£743m**	£686m	+8.3%	
Statutory pre-tax profit[1]	**£759m**	£512m	+48.2%	
Effective tax rate	**26%**	26%		
Exceptional items (post-tax)[2]	**£11m**	£(99)m	n/a	
Underlying basic earnings per share	**25.9p**	22.0p	+17.7%	
Adjusted basic earnings per share	**24.4p**	22.0p	+10.9%	
Basic earnings per share[1]	**27.1p**	17.8p	+52.2%	
Full year ordinary dividend	**10.4p**	10.1p	+3.0%	
Capital return – share buyback	**£200m**	£200m		
Net cash	**£641m**	£546m		

(1) Statutory results include B&Q China up to the date of disposal of controlling 70% stake (30 April 2015).
(2) 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:

	2016/17 £m	2015/16 £m	Increase
Retail profit	**847**	746	+13.5%
Central costs	**(48)**	(45)	
Share of interest and tax of joint ventures & associates	**(5)**	(5)	
Finance costs before exceptional items & financing fair value remeasurements (FFVR)	**(7)**	(10)	
Underlying pre-tax profit	**787**	686	+14.7%
Transformation P&L costs	**(44)**	–	
Adjusted pre-tax profit	**743**	686	+8.3%
B&Q China operating loss[1]	**–**	(4)	
FFVR	**(1)**	(4)	
Profit before exceptional items and tax	**742**	678	+9.4%
Exceptional items before tax	**17**	(166)	
Statutory pre-tax profit	**759**	512	+48.2%

(1) Up to the date of disposal of controlling 70% stake (30 April 2015).

Transformation P&L costs of £44 million principally relate to the unified and unique offer range implementation and the digital strategic pillar.

Trading review by division

Note: all commentary below is in constant currencies

UK & IRELAND

£m	2016/17	2015/16	% Reported Change	% Constant Currency Change	% LFL Change
Sales	**4,979**	4,853	+2.6%	+2.4%	+5.9%
Retail profit	**358**	326	+9.8%	+9.9%	

Kingfisher UK & Ireland sales were up 2.4% (+5.9% LFL) to £4,979 million benefiting from a broadly supportive backdrop and continued strong Screwfix performance. Retail profit grew by 9.9% to £358 million. Gross margins were down 80 basis points reflecting mix effects from strong growth in Screwfix, clearance related to the B&Q store closures and higher digital sales. Focus on cost control continued.

B&Q total sales declined by 3.3% to £3,680 million reflecting planned store closures partly offset by sales transference. LFL sales increased by 3.5% of which c.2.6% resulted from sales transference associated with the store closures. LFL sales of seasonal products were up 3.1% while sales of non-seasonal products, including showroom, were up 3.6%.

Click & collect is now available on over 31,500 products (FY 2015/16: 16,700). Total digital sales, including home delivery, continued to make good progress with sales growing by 45%.

Screwfix grew total sales by 23.2% (+13.8% LFL) to £1,299 million, driven by strong growth from the specialist trade desks exclusive to plumbers and electricians, strong digital growth (e.g. click & collect +60%, mobile +124%) and the continued roll out of new outlets. 60 new outlets were opened, taking the total to 517. Our overall target is to have around 700 outlets in the UK, up from 600 previously.

FRANCE

£m	2016/17	2015/16	% Reported Change	% Constant Currency Change	% LFL Change
Sales	**4,254**	3,786	+12.4%	(1.4)%	(2.7)%
Retail profit	**353**	311	+13.6%	(0.3)%	

Kingfisher France sales declined by 1.4% (-2.7% LFL) to £4,254 million. According to Banque de France data, sales for the home improvement market were down 0.6%. Whilst holding a strong market position in France and benefiting from a well invested store estate, both businesses have delivered weaker sales compared to the market.

Castorama total sales declined by 2.4% (-3.0% LFL) to £2,308 million. LFL sales of seasonal products were down 4.6% and sales of non-seasonal products, including showroom, were down 2.5%. **Brico Dépôt** total sales were broadly flat (-2.3% LFL) at £1,946 million reflecting store openings. Across the two businesses, one net new store was opened and four were revamped, adding around 1% new space.

By the end of next year, our ONE Kingfisher plan will provide newness in our customer proposition as over half of France's offer will be unified and unique. Some of the CPR benefits will be reinvested in price as we start to move towards making home improvement more affordable for customers. In addition, this year we will complete the roll out of the unified IT platform in Castorama France, enabling us to build a stronger digital offer, starting with new mobile and site search.

Retail profit was broadly flat at £353 million, despite the weaker sales, reflecting higher gross margins (+20 basis points) benefiting from less promotional activity, and continued focus on cost control.

OTHER INTERNATIONAL

£m	2016/17	2015/16	% Reported Change	% Constant Currency Change	% LFL Change
Sales	**1,992**	1,692	+17.8%	+7.0%	+5.1%
Retail profit					
Other International (established)	**152**	126	+19.6%	+9.7%	
New Country Development	**(16)**	(17)	n/a	n/a	
Total	**136**	109	+24.1%	+14.5%	

Other International total sales increased by 7.0% (+5.1% LFL) to £1,992 million. Retail profit increased by 14.5% to £136 million, driven by Poland.

During the year 12 net new stores were opened, including two in Poland and 10 in Screwfix Germany, adding around 2% more space compared to last year.

Other International (established):

Sales in **Poland** were up 10.1% (+7.5% LFL) to £1,191 million benefiting from a supportive market and new ranges. LFL sales of seasonal products were up 9.5% with sales of non-seasonal products, including showroom up 7.3%. Gross margins were up 90 basis points driven by strong trading and sales mix benefits. Retail profit grew by 15.8% to £144 million reflecting the sales growth and higher gross margins.

In **Russia** sales declined slightly by 0.2% (+0.3% LFL) to £349 million against strong comparatives (2015/16: +7.2% LFL). The business delivered a £1 million profit (2015/16: £6 million reported retail profit) reflecting a challenging environment and adverse foreign currency exchange movements. In **Spain** sales increased by 2.1% (+0.5% LFL) to £312 million, delivering a £2 million retail profit (2015/16: breakeven). In **Turkey**, Kingfisher's 50% JV, Koçtaş, contributed retail profit of £5 million (2015/16: £7 million reported retail profit).

New Country Development:

New Country Development comprises our operations in Romania, Portugal and Germany. Sales were £140 million with losses of £16 million (2015/16: £17 million reported retail loss). Romania delivered a breakeven result (2015/16: £9 million loss) and Screwfix Germany opened 10 new outlets, resulting in a £14 million loss (2015/16: £7 million loss).

Exceptional items (post tax) were a gain of £11 million (2015/16: £99 million charge) as detailed below:

	2016/17 £m Gain/ (charge)	2015/16 £m Gain/ (charge)
Transformation exceptional costs	**(5)**	–
UK & Ireland and Europe restructuring	**15**	(305)
Profit on disposal of B&Q China	**3**	143
Impairment of Brico Dépôt Romania	**–**	(18)
Property and other disposals[1]	**4**	14
Exceptional items before tax	**17**	(166)
Exceptional tax items	**(6)**	67
Net exceptional items	**11**	(99)

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

Transformation exceptional costs of £5 million principally relate to the setup of the new Offer and Supply Chain organisation.

UK & Ireland and Europe restructuring

B&Q completed the closure of 65 stores (c.15% of space) in the two years ending 31 January 2017 (35 closures in FY 2016/17; 30 closures in FY 2015/16). In Q1 B&Q entered into a lease liability transaction with a third party to dispose of the remaining leases. As previously announced, there will also be a small number of closures of loss making stores across Europe. In FY 2016/17 two stores were closed, one in Russia and one in Spain, with an update on further closures to be made in due course. 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. An exceptional charge of £305 million was reported in FY 2015/16. An overall exceptional gain of £15 million was reported in FY 2016/17 reflecting lower than expected B&Q store exit costs resulting from the lease liability transaction, and the decision to keep one B&Q store open that was originally planned for closure, partly offset by the forced closure of one other store.

The disposal of the remaining 30% stake in B&Q China for a net consideration of £63 million resulted in a gain of £3 million.

Underlying basic earnings per share grew by 17.7% to 25.9p, which excludes the impact of transformation costs, exceptional items, FFVR and the effect of prior year tax items. **Adjusted basic earnings per share** grew by 10.9% to 24.4p, which excludes the impact of exceptional items, FFVR and prior year tax items. Basic earnings per share increased by 52.2% to 27.1p as set out below:

	2016/17 Earnings £m	2016/17 EPS pence	2015/16 Earnings £m	2015/16 EPS pence
Underlying basic earnings per share	**584**	**25.9**	509	22.0
Transformation P&L costs (net of tax)	**(33)**	**(1.5)**	–	–
Adjusted basic earnings per share	**551**	**24.4**	509	22.0
B&Q China operating loss	**–**	**–**	(4)	(0.2)
Net exceptional items	**11**	**0.6**	(99)	(4.3)
Prior year tax items	**49**	**2.2**	9	0.4
FFVR (net of tax)	**(1)**	**(0.1)**	(3)	(0.1)
Basic earnings per share	**610**	**27.1**	412	17.8

DIVIDENDS AND CAPITAL RETURNS

The Board has proposed a final dividend of 7.15p which results in a full year dividend of 10.4p, an increase of 3.0% (2015/16: 10.1p). The full year dividend is covered 2.3 times by adjusted earnings (2015/16: 2.2 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 19 June 2017 to shareholders on the register at close of business on 5 May 2017. 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 4 May 2017. For those shareholders electing to receive the DRIP the last date for receipt of election is 26 May 2017.

On 25 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. This is expected to be via share buyback. During 2016/17 £200 million (58 million shares) was returned to shareholders via share buyback.

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, calculated on profit before exceptional items, prior year tax adjustments and the impact of rate changes on deferred tax, was 26% (2015/16: 26%). The effective rate of tax is in line with the prior year, a result of tax rate reductions in the year having been broadly offset by changes to profit mix in reported currencies.

The overall rate of tax includes the impact of exceptional items and prior year adjustments. The effect of such items reduced the rate from 26% to 20%. This predominately reflects enacted rate reductions in both the UK and France, due to have full effect in 2020/21, which have resulted in deferred tax credits in the year, as well as the release of prior year provisions which have either been agreed with tax authorities, reassessed, or time expired.

Effective tax rate calculation	Profit £m	Tax £m	2016/17 %	2015/16 %
Profit before tax and exceptional items	**742**	**(192)**	**26**	26
Exceptional items	**17**	**(6)**		
Prior year items		**49**		
Total – overall	**759**	**(149)**	**20**	20

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

	Statutory tax rate 2017/18	Statutory tax rate 2016/17
UK	**19%**	20%
France	**34%**	34%
Poland	**19%**	19%

TAX CONTRIBUTION

Kingfisher makes a significant economic contribution to the countries in which it operates. In 2016/17 it contributed £1.8 billion in taxes it both pays and collects for these governments. The Group pays tax on its profits, its properties, in employing 77,000 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	2016/17 £bn	2015/16* £bn
Taxes borne	**0.7**	0.7
Taxes collected	**1.1**	1.1
Total tax contribution	**1.8**	1.8

* 2015/16 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 2016 survey ranked Kingfisher 31st (2015: 32nd) for its Total Tax Contribution in the UK. In 2016, 100 (2015: 105) companies contributed to the survey.

TAXATION GOVERNANCE AND RISK MANAGEMENT

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

The Group manages the tax that it pays and the risks that arise having regard to the interests of all stakeholders including investors, customers, staff and the governments and communities in the countries in which it operates. 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 manages and controls these risks through local management, the tax professionals it employs and using advice from reputable professional firms. The Group works with tax authorities in a timely and constructive manner to resolve disputes where they arise.

Lease adjusted return on capital employed (ROCE)

Our key returns metric, leased adjusted ROCE, grew by 20 basis points from 12.3% to 12.5% this year, reflecting our underlying profit performance and favourable foreign exchange movements offset by transformation costs. ROCE by geographic division is analysed below:

	Sales £bn	Proportion of Group sales	Capital Employed (CE) £bn	Proportion of Group CE %	**ROCE 2016/17**	ROCE 2015/16
UK & Ireland	5.0	44%	3.8	55%	**13.3%**	13.1%
France	4.2	38%	1.9	27%	**14.8%**	14.1%
Other International	2.0	18%	1.2	18%	**11.1%**	10.2%
Total	**11.2**		**6.9**		**12.5%**	12.3%

FREE CASH FLOW

A reconciliation of free cash flow is set out below:

	2016/17 £m	2015/16 £m
Operating profit	**773**	526
Exceptional items	**(23)**	166
Operating profit (before exceptional items)	**750**	692
Other non-cash items[1]	**295**	265
Change in working capital	**17**	31
Pensions and provisions	**(46)**	(42)
Operating cash flow	**1,016**	946
Net interest paid	**(7)**	(12)
Tax paid	**(144)**	(118)
Gross capital expenditure	**(406)**	(333)
Free cash flow	**459**	483
Ordinary dividends paid	**(230)**	(232)
Share buyback	**(200)**	(200)
Share purchase for employee incentive schemes	**(6)**	(16)
Disposal of B&Q China (net of disposal costs)	**63**	134
Disposal of assets[2] and other[3]	**(67)**	38
Net cash flow	**19**	207
Opening net cash	**546**	329
Other movement including foreign exchange	**76**	10
Closing net cash	**641**	546

(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) Disposal of assets includes the disposal of an overseas property company in FY 2015/16.
(3) Includes exceptional cash flow items (excluding property disposals), principally relating to B&Q closures, dividends received from JVs and associates and issue of shares.

Net cash at the end of the period was £641 million (2015/16: £546 million).

Free cash flow of £459 million was generated in the year, a decrease of £24 million against the prior period, reflecting an increase in capital expenditure.

Gross capital expenditure for the year was £406 million (2015/16: £333 million). Of this around 44% was invested on refreshing and maintaining existing stores, 14% on new stores, 24% on IT, 7% on the transformation plan and 11% on other which includes supply chain.

Of free cash flow, £430 million was returned to shareholders in the form of the ordinary dividend and share buybacks.

MANAGEMENT OF BALANCE SHEET AND LIQUIDITY RISK AND FINANCING

The Group finished the year with £641million 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 1.8 times as at 31 January 2017 (2.0 times at January 2016). At this level the Group has financial flexibility whilst retaining an efficient cost of capital.

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

	2016/17 £m	2015/16[1] £m
EBITDA	**1,008**	941
Property operating lease rentals	**399**	402
EBITDAR	**1,407**	1,343
Net cash	**(641)**	(546)
Property operating lease rentals (8x)[2]	**3,192**	3,216
Lease adjusted net debt	**2,551**	2,670
Lease adjusted net debt to EBITDAR	**1.8**	2.0

(1) Excludes contribution from China following disposal of controlling 70% stake in April 2015.
(2) Kingfisher believes 8x is a reasonable industry standard for estimating the economic value of its leased assets.

Kingfisher holds a BBB credit rating with all three rating agencies. Kingfisher aims to maintain its solid investment grade credit rating whilst investing in the business where economic returns are attractive and paying a healthy annual dividend to shareholders. After satisfying these key aims and taking 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 a £225 million committed facility that expires in 2021 and was undrawn at 31 January 2017. In addition, the Group entered into a new £400 million committed facility in the financial year, which expires in November 2018. This facility was also undrawn as at 31 January 2017. 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.

DISPOSALS

On 22 December 2014, Kingfisher announced a binding agreement for Wumei to acquire a controlling 70% stake in its B&Q China business. Gross cash proceeds of £140 million were received in April 2015 following MOFCOM (Chinese Ministry of Commerce) approval. Kingfisher, with the agreement of Wumei, exercised its option to dispose of the remaining 30% economic interest on 23 March 2016. Following regulatory approval, Kingfisher received £63 million of net proceeds in July 2016, completing the transaction.

PENSIONS

At the year end, the Group had a net surplus of £131 million (2015/16: £159 million net surplus) in relation to defined benefit pension arrangements, of which a £239 million surplus (2015/16: £246 million surplus) was in relation to the UK scheme. The adverse movement is driven by higher inflation assumptions and a reduction in the discount rate applied to the scheme liabilities over the year, offset by gains on the scheme's assets. This accounting valuation is sensitive to various assumptions and market rates which are likely to fluctuate in the future.

PROPERTY

Kingfisher owns a significant property portfolio, most of which is used for trading purposes. A valuation was performed for internal purposes in October 2016 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 £3.4 billion at year end (2015/16: £2.9 billion).

	2016/17 £bn	2016/17 Yields	2015/16 £bn	2015/16 Yields
France	**1.7**	**7.6%**	1.4	7.7%
UK	**0.8**	**5.9%**	0.8	6.1%
Poland	**0.6**	**7.7%**	0.5	7.8%
Other	**0.3**	**–**	0.2	–
Total	**3.4**		2.9	

This is compared to the net book value of £2.7 billion (2015/16: £2.4 billion) recorded in the financial statements (including investment property and property assets held for sale). Balance sheet values were frozen at 1 February 2004 on the transition to IFRS.

RETAIL PROFIT ON A FULLY RENTED BASIS

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

	UK & Ireland	France	Poland
Retail profit %	7.2%	8.3%	12.1%
Adjustment to leasehold basis	(0.9)%	(2.7)%	(3.4)%
Retail Profit % on leasehold basis	6.3%	5.6%	8.7%

SUSTAINABILITY

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

Our work on sustainability generates value for the business by giving us access to new revenue opportunities, building customer preference, improving supply chain resilience and enhancing efficiency and productivity. For example, sales of our sustainable home products in 2016/17 reached £3.1 billion, around 28% of total revenues. This includes 96% responsibly sourced timber and paper in our products.

We have helped customers save 12.8 TWh of energy from the energy-saving products and services they have purchased from us since 2011/12. We estimate this could save our customers over £840 million every year (based on the average UK household energy bill).

We are making savings in our business by improving energy efficiency. We will have installed renewable energy generation such as PV panels at three stores and four distribution centres by April 2017 with plans underway for another three distribution centres and 10 stores during 2017. During 2017 our UK operations will be moving to 100% renewable power which will make a significant contribution to reducing our carbon footprint. We have cut our property carbon intensity (CO_2 equivalent per m^2 reported floor space) by 25% since 2010/11. A breakdown of our carbon footprint is shown in the Directors' Report on page 89.

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

Kingfisher is included in two socially responsible investment indices this year, the Dow Jones Sustainability Index (DJSI) and FTSE4Good. We also participated in the Carbon Disclosure Project's Climate and Forests questionnaires in 2016. Having been successfully listed for many years in the DJSI, we will not be submitting data for inclusion in the index next year. Instead we will be focusing our time and resources into delivering against our sustainability strategy and targets.

For information about our approach to human rights and the Modern Slavery Act see page 29.

Risks

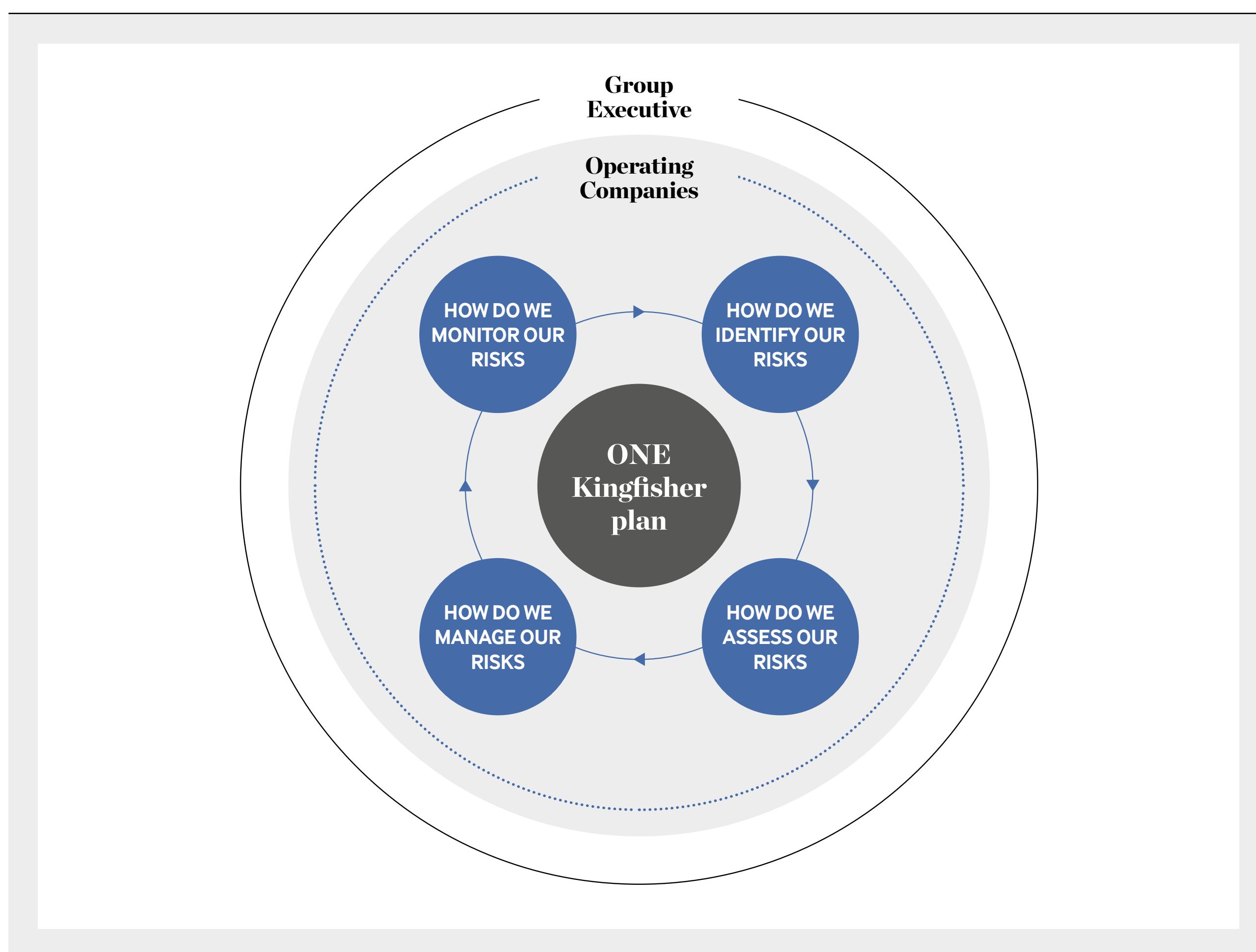
RISK MANAGEMENT

Given the scale of our businesses, the Board of Directors 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

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.

leadership teams and functional leaders to identify the risks within the 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 below 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 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 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. The Operating Company leadership team owns and is responsible for managing its own risks. Each leadership team is responsible for putting appropriate controls in place and procedures to ensure that the controls are operating effectively. The same procedure 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 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.

THIS YEAR'S UPDATE

Having followed the process set out above, and in light of a strategy that remains unchanged, we have made no material changes to our principal risks.

However, as part of this year's risk assessment, we did consider the impact of the result of the EU referendum on our principal risks. We have established a Brexit working group to monitor developments and to keep under review our principal risks and mitigations. Whilst the principal risks currently remain unchanged, we recognise that Brexit may impact the level of risk we face and this has been reflected in the statements made regarding the change in risk.

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

The Corporate Governance report on page 52 gives further details on our governance processes.

Strategic pillars

Risk	Unified & Unique Offer	Digital	Operational Efficiency	Retail Operations
1. Organisation of the company	●			
2. Unifying our offer and processes	●			
3. Price competitiveness	●			
4. Sustainability delivery	●			
5. Digital and format	●	●		●
6. Investment value			●	
7. Technology delivery		●		
8. Efficiency savings			●	
9. Investing in our people	●	●	●	●
10. Health & Safety				●
11. Reputation				●
12. Macro-economic factors				●

OUR PRINCIPAL RISKS

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

1 ORGANISATION OF THE COMPANY

Organising Kingfisher as a more unified company with a unified customer offer, rather than a collection of individual businesses, fails to deliver the anticipated benefits.

Strategic pillar

– Unified & Unique Offer

How our risks have changed (decreased)

We believe our risk exposure has decreased since last year. Progress has been made on the organisational design and we have a coordinated plan in place, with a series of planned changes.

How we manage and monitor the risk

– Monthly tracking against key strategic milestones in place.
– Monthly reporting to the plc Board, Group Executive, Operating Company Chief Executives and Finance Directors.
– Programme of strategic updates to the Group Executive and the Board planned during the year.
– Regular meetings with the Operating Company Chief Executives to monitor progress, ensure buy in and resolve potential issues.
– A new process has been introduced to deliver the transformational change, including tracking alignment, dependencies and expectations.

2 UNIFYING OUR OFFER & PROCESSES

We fail to deliver the benefits of a more unified and unique offer and standardised activities and processes.

Strategic pillar

– Unified & Unique Offer

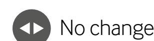
How our risks have changed (increased)

As this project progresses the level of ranges impacted is increasing and our risk exposure increases.

How we manage and monitor the risk

– 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.
– Group implementation task force in place to steer the aspects of 1) merchandising solutions, 2) store implementation, 3) stock clearance, 4) supply and logistics.
– 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.

Key:



3 PRICE COMPETITIVENESS

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 may result in a loss of market share.

Strategic pillar

– Unified & Unique Offer

How our risks have changed

This continues to be a key area of focus for us. This is an area of increasing risk as we continue to review our ranges. We are taking the necessary steps to stabilise and reduce this risk.

How we manage and monitor the risk

– A new pricing strategy and governance has been decided, where Offer & Supply Chain now sets recommended prices on all unified ranges, securing the best selling price whilst protecting 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.

4 SUSTAINABILITY DELIVERY

We fail to deliver our sustainability targets due to not integrating our sustainability plan into the day-to-day operations of the business.

Strategic pillar

– Unified & Unique Offer

How our risks have changed

While the risk exposure in this area continues to increase with our changing operations and increased legislation, we continue to take steps to mitigate this and we feel that this results in the risk remaining unchanged.

How we manage and monitor the risk

– Governance is overseen by the Group Sustainability Committee, a sub-committee of the Group Executive.
– Capacity building and sharing of best practice e.g. annual network meetings of Operating Company sustainability teams supported by monthly WebEx meetings.
– Advice from expert partners.
– Engagement with external stakeholders to identify and mitigate sustainability risks.
– Regular review of company positions and policies to support the sustainability strategy.
– Annual monitoring and reporting of sustainability Key Performance Indicators (KPIs) and progress against targets to the Group Executive.
– Ongoing work towards sustainability targets within Operating Companies, with annual progress reports signed off at Board level.
– Development of sustainability plans and responsibilities within unified buying functions including Offer & Supply Chain (procurement of goods for resale) and Group Purchasing team (procurement of Goods Not For Resale).

5 DIGITAL AND FORMAT

We fail to create a culture of innovation in our offer, format and digital channels to stimulate consumer spend and deliver the desired sales growth.

Strategic pillars

- Unified & Unique Offer
- Digital
- Retail Operations

How our risks have changed

We are exposed to risk in this area, particularly in failing to keep pace within the digital area, however, we feel the steps we have continued to take this year have ensured that we are better positioned to fulfil our digital ambitions.

How we manage and monitor the risk

- Digital strategy developed for the Group.
- Digital priorities programmes underway, Brilliant Basics and customer journeys.
- Digital Forum in place to develop and deliver a unified strategy for the Group.
- Plans in place for a digital centre of excellence and digital delivery, roles, skills and knowledge have been defined, resource recruitment underway.
- The 'Easier' unified IT programme is being rolled out across the Group to provide the systems and capabilities required to deliver the foundations for the digital strategy.
- Trial stores identified and guiding principles for these stores being developed.
- Group Concept Director appointed.
- Retail concepts and common and unique customer experience being developed.

6 INVESTMENT VALUE

Our investments fail to deliver value to the company.

Strategic pillar

- Operational Efficiency

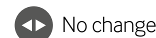
How our risks have changed

We do not believe that our risk exposure has increased from last year, We continue to invest significant capital expenditure in line with our transformation plan and our controls have been enhanced in this area.

How we manage and monitor the risk

- On-going assessment of opportunities for expansion, in terms of both online and bricks and mortar retail, across all the territories and regions in which we operate.
- Regular updates are given to the leadership team and all decisions are approved in line with our investment methodology.
- Country and market entry strategies are based on the application of a proven operating model and supported by the part of the business with the most relevant experience, capabilities and capacity to successfully lead a market entry strategy.
- Proposed acquisition or market entry strategies are subject to challenge and due diligence from both the leadership team and specialist functions.
- Due diligence exercises are supported by external and independent advisers when necessary.
- Following an acquisition, integration plans are prepared and monitored at Operating Company and company levels.
- Existing management teams are supplemented with company resources to monitor and assist with the integration.
- All investments are evaluated and monitored via our post-investment review methodology in place across the business.
- The financial performance of investments is monitored ensuring early corrective action can be taken if needed.

Key:



7 TECHNOLOGY DELIVERY

Our unified IT platform fails to deliver the requirements in line with the plan needed to enable/support the delivery of the company strategy.

Strategic pillar

– Digital

How our risks have changed

The implementation within B&Q is nearing completion and the roll-out is commencing in the remainder of our Operating Companies. Whilst we have confidence in the solution and our roll-out process, the risk is increased for us as more of the estate is exposed to the implementation.

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 dual running 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.
- A new process has been introduced to deliver the transformational change, including tracking alignment, dependencies and expectations.
- 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.

8 EFFICIENCY SAVINGS

We fail to identify and maximise potential cost reductions and efficiency savings.

Strategic pillar

– Operational Efficiency

How our risks have changed

The project targets were based on an initial number of estimated savings. A plan is now in place to deliver these savings.

How we manage and monitor the risk

- Each Operating Company reviews its cost base and identifies potential savings as part of the planning process.
- Identified savings are monitored as part of the budgeting and forecasting processes.
- As part of our investment in IT we have identified a number of benefits and benchmarked these externally.
- One of our strategic pillars is Optimising our Operational Efficiency which is driven by our Goods Not For Resale opportunity. Specific controls in this area are as follows:
  - A project team is in place to review categories of spend across the company and not only identify cost savings but also opportunities to work in a more effective way.
  - Project teams are supported by a Steering Group whose responsibilities include monitoring plans, milestones and the financial impact for each category.
  - Initial review committed to delivery of targets over the first three years. Year 1 has delivered earlier than plan, we have plans in place to deliver Year 2 and Year 3 is now being planned.
  - Regular reporting and review against budget targets and forecast.
  - Procurement Excellence Programme launched to optimise key processes within the procurement function.

9 INVESTING IN OUR PEOPLE

We do not make the necessary investment in our people to ensure that we have the appropriate capacity, skills and experience.

Strategic pillars

- Unified & Unique Offer
- Digital
- Operational Efficiency
- Retail Operations

How our risks have changed

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.

How we manage and monitor the risk

- 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.
- Reviewing our engagement methodology 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 e.g. LEAD programme (Leadership Exploration and Development) 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.

10 HEALTH & SAFETY

We fail to maintain a safe environment for our customers and store colleagues, which results in a major incident or fatality that is directly attributable to a failure in our Health & Safety management systems.

Strategic pillar

- Retail Operations

How our risks have changed

Our Safety network is embedded in the business and continues to work with the Operating Companies to ensure our minimum standards are maintained during the transformation.

How we manage and monitor the risk

- The Board reviews and challenges Health & Safety performance, standards and targets across our Operating Companies.
- Group Health and Safety Committee sets the policy and standards for the company.
- Group Minimum Safety Standards with detailed guidance for identified risks are in place across the Operating Companies.
- Dedicated Safety team and responsible Director in each of our Operating Companies to ensure the Health & Safety policy is implemented and communicated.
- The Group Safety Officer monitors compliance and provides help and support to the Operating Companies.
- Compliance is monitored across our Operating Companies through a programme of self-certification and Health & Safety audits, with issues reported through local Audit Committees and escalated to the leadership team, Group Audit Committee or Board where necessary.

Key:

Increasing No change Decreasing

11 REPUTATION

Kingfisher's reputation and brand are affected by a major environmental or ethical failure, major corporate issue or crisis, a significant corporate fraud or material non-compliance with legislative or regulatory requirements resulting in punitive or custodial procedures.

Strategic pillar

– Retail Operations

How our risks have changed

There is a potential for the risk to increase in this area as we go forward with our transformation, however, we are putting procedures in place to mitigate this risk and therefore believe there is no change in the risk.

How we manage and monitor the risk

- Both employees and suppliers working for or with Kingfisher must conduct themselves according to our minimum standards of ethics and behaviours as defined by our Code of Conduct.
- Responsibility for compliance with our Code of Conduct rests with each Operating Company Chief Executive.
- 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.
- Policies and procedures in place to support the environmental, ethical, fraud, crisis management, legislative and regulatory areas. Specifically;
  - Competition law compliance messaging and training.
  - Working group in place to manage and oversee the new European and Russian Data Protection legal requirements.
  - 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.
  - Disclosure policy and training in place.

12 MACRO-ECONOMIC FACTORS

Uncertainty surrounding the resilience of the global economy and increased geo-political volatility, may impact both consumer confidence and the long-term sustainability and capabilities of our supplier base.

Strategic pillar

– Retail Operations

How our risks have changed

This is an area of increasing risk. There are still a numberof uncertainties relating to the UK's exit from the EU and heightened geopolitical tensions in some of our markets.

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.
- 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.
- Actively monitoring the Brexit process via the Government Affairs team, Treasury, Finance and Tax teams alongside UK and French Operating Companies.
- Work has begun to consider the implications of Brexit, including presenting high level implications of this to the Board. As the situation becomes clearer and the mechanics of an exit are known, more detailed plans will be prepared.

VIABILITY STATEMENT

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

The Board has concluded that the period for this review should be three years, in line with the usual business planning period. However, last year the company carried out a strategic review covering five years and therefore this year the assessment has been carried out over the remaining four years to 2021.

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 provides the basis for setting the financial budgets and KPIs that are subsequently used by the Board to monitor performance during the year. In addition, as in previous years, the Board has carried out a robust assessment of the principal risks facing the business, including those that would threaten the business model, future performance, solvency or liquidity. The principal risks are set out on pages 38 to 45. Scenarios have been developed to test the company's resilience to the occurrence of these risks. Stress testing has also been performed and taken into consideration for the assessment.

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

GOING CONCERN

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

21 March 2017

Our leadership team

1. Alastair Robertson
Chief People Officer

2. Jean-Paul Constant
Chief Sales & Retail Operations Officer

3. Pierre Woreczek
Chief Customer Officer

4. Arja Taaveniku
Chief Offer & Supply Chain Officer

5. Steve Willett
Chief Digital & IT Officer

6. Véronique Laury
Chief Executive Officer

7. Karen Witts
Chief Financial Officer

Delivering transformation

LEFT TO RIGHT

Rakhi Goss-Custard
Non-executive Director

Pascal Cagni
Non-executive Director

Karen Witts
Chief Financial Officer

Anders Dahlvig
Non-executive Director

Véronique Laury
Chief Executive Officer

Clare Chapman
Non-executive Director

Andrew Bonfield
Non-executive Director

Daniel Bernard
Chairman

Mark Seligman
Senior Independent Director

ONE Kingfisher

Daniel Bernard R N
Chairman, Chairman of the Nomination Committee
Joined the Board as Deputy Chairman in May 2006 before being appointed Chairman on 3 June 2009.

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

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

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 28 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 14 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.

Andrew Bonfield A R N
Non-executive Director, Chairman of the Audit Committee
Appointed to the Board in February 2010.

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.

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 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.

Clare Chapman Ⓡ Ⓝ
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 serves as a Commissioner on the Low Pay Commission.

Pascal Cagni Ⓝ
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. He actively conducts strategy, consulting and venture capital activities through c4v.com.

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

Mark Seligman Ⓐ Ⓡ Ⓝ
Senior Independent Director
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 will join The Royal Bank of Scotland plc as a non-executive director in April 2017.

Anders Dahlvig Ⓐ Ⓝ
Non-executive Director
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
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.

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

Chairman's introduction

I am pleased to present the Corporate Governance Report for the year ended 31 January 2017, on behalf of the Board.

"I firmly believe that a robust and effective governance framework is essential to support management in delivering the company's strategy."

Dear shareholders,
I am pleased to present our Corporate Governance Report for the year ended 31 January 2017, on behalf of the Board.

The role of the Board is to lead the company and to oversee its governance. The Board plays a critical role in ensuring that the tone for the company's culture and values is set from the top, and I firmly believe that a robust and effective governance framework is essential to support management in delivering the company's strategy. This is particularly true for Kingfisher as we continue to deliver our ONE Kingfisher strategy.

An effective Board must maintain a level of independence and objectivity, and have the correct balance of experience, diversity, and skills. It also needs a good understanding of the operations of the business. I am delighted to lead a Board with such independence, experience, diversity and knowledge. These criteria continue to be a focus for the Board's succession planning arrangements.

During the year, with external support, the Board conducted an independent effectiveness evaluation of the Board, its principal committees, and individual directors. The results of this evaluation confirmed that the Board, its principal committees, and individual directors continue to operate effectively. A few key areas for further development were identified during the review, and these are set out on page 58 of this report. The Board, supported by the Group Company Secretary, will continue to review and seek to improve the company's governance frameworks and systems. This will be particularly valuable as the Board reviews Kingfisher's delivery against key performance indicators and strategic milestones of the long-term plan.

Our shareholders also play an important role in supporting the company, and the investor community continues to be an influential force in shaping corporate governance. There are a number of areas of particular focus for shareholders, and boards will continue to face investor scrutiny on their activities. Shareholders provide meaningful contribution to promote effective governance through open and constructive two-way dialogue with boards, and we place great value on this engagement.

We have reviewed our governance framework with reference to the UK Corporate Governance Code, and a statement of compliance with the Code is set out on the following page. We continue to strive towards the very highest standards of governance, and this report provides an insight into how, through its actions, the Board and its committees have fulfilled their governance responsibilities.

As mentioned in my earlier statement on page 1, I will be stepping down as Chairman at the conclusion of the AGM. I would like to take this opportunity to thank you, our shareholders, for the support you have provided to me and the Board throughout my time as Chairman. I am confident that your Board, led by Andy Cosslett, will continue to serve the company well and maintain progress in the delivery of the ONE Kingfisher plan over the coming years. More information about Andy and the Nomination Committee's appointment process, can be found on page 64.

Daniel Bernard
Chairman

21 March 2017

CORPORATE GOVERNANCE AT A GLANCE

KEY BOARD ACTIVITIES DURING THE YEAR

STRATEGY

- Held 'deep-dive' strategic sessions with management on key topics including digital strategy and innovations, retail operations, brand, customer, offer and supply chain strategies.
- Continued to monitor performance against our five year strategic plan.

OPERATIONS

- Received performance updates from the CEO at every meeting, including transformation plan delivery and retail operations performance.
- Visited new stores and received competition updates.

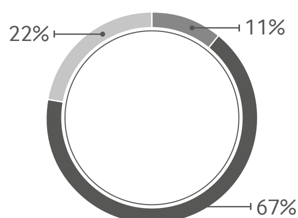
FINANCE AND RISK

- Reviewed the company's key risks, mitigations and risk appetite.
- Considered financial performance at every meeting, and regularly reviewed financing and liquidity requirements.
- Considered financial reporting and key external communications, ensuring these were reviewed against best practice by our external auditors and reflected feedback from investors.

GOVERNANCE, PEOPLE AND OTHER

- Received briefings on health and safety, litigation matters, pension scheme funding, and corporate governance developments.
- Reviewed senior management succession planning and performance, key appointments, and considered values and culture.
- Considered and approved the appointment of the new Chairman following recommendation from the Nomination Committee.

2017 BOARD COMPOSITION



- Chairman
- Independent non-executive directors
- Executive directors

TENURE AND BOARD ATTENDANCE

	Tenure in years	Attendance
Current Directors		
Daniel Bernard	10	10 / 10
Andrew Bonfield	6	10 / 10
Pascal Cagni	6	10 / 10
Clare Chapman(1)	6	9 / 10
Anders Dahlvig(1)	7	9 / 10
Rakhi Goss-Custard	1	10 / 10
Véronique Laury	2	10 / 10
Mark Seligman	5	10 / 10
Karen Witts	4	10 / 10

(1) All directors attended all scheduled Board meetings during the year. However, Clare and Anders were unable to attend one additional meeting, called at short notice, due to prior commitments.

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

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE (THE CODE)

During the 2016/17 financial year, Kingfisher was subject to the September 2014 Code, published by the Financial Reporting Council (available from www.frc.org.uk). In last year's report, the company advised that, following shareholder approval of the new Remuneration Policy at the 2016 AGM, the company would become non-compliant with Code Provision D.1.1 in relation to grants under long-term incentive schemes. The Board is pleased to confirm that throughout the year, with the exception of Provision D.1.1., the company has complied with all Principles and Provisions set out in the Code. Further details are set out on page 54.

Compliance with the UK Corporate Governance Code

The notes below outline the company's compliance with the 2014 UK Corporate Governance Code (the Code) for the year ended 31 January 2017. This should be read in conjunction with the Corporate Governance Report.

A copy of the Code is available on the Financial Reporting Council's website: www.frc.org.uk. The 2016 UK Corporate Governance Code will apply to the financial year ending 31 January 2018.

The Board considers that the company has complied with the Code for the whole year ending 31 January 2017, except with regards to Provision D.1.1 in relation to grants under long-term incentive schemes.

A LEADERSHIP

A.1 The Board's role

The Board's role in leading the company and the formal schedule of matters reserved to the Board are both summarised on page 56.

A.2 Division of responsibilities

The roles of Chairman and Chief Executive are separate and clearly defined.

A.3 Role of the Chairman

The Chairman leads the Board and ensures its effectiveness.

Daniel Bernard was independent at first appointment. The Chairman-designate, Andy Cosslett, is also independent.

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.

The SID's role in the Chairman's succession is described in the Nomination Committee report on page 64.

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 on page 56.

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 whenever appointments are considered.

The majority of the Board are independent non-executive directors, as shown in the composition chart on page 53.

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 64.

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 which may impact existing time commitments.

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 individually 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 agenda, including deep-dives, topic briefings and site visits.

B.5 Provision of information and support

The Chairman, supported by the Group Company Secretary, ensures that Board members receive appropriate and timely information. All directors may seek advice from the Group 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 externally-facilitated performance evaluation was completed during the year. More information about the evaluation can be found on page 58 and the findings and actions for each committee are located in the relevant committee report.

B.7 Re-election of Directors

At the 2016 AGM, all directors were subject to either election or re-election. With the exception of Daniel Bernard, all directors will be standing for either election or re-election by shareholders at the 2017 AGM.

C ACCOUNTABILITY

C.1 Financial and business reporting

The Directors' and Auditor's Statements of Responsibility can be found on pages 91 and 99 respectively.

Information on the company's business model and strategy can be found on pages 1 to 46.

The Directors' viability statement and confirmation that the business is a going concern can be found on page 46.

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 60 to 63.

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 66 to 87 explains the work of the Remuneration Committee. The remuneration received by the directors, in accordance with the Remuneration Policy is presented on pages 78-80.

As advised in last year's Annual Report, 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 59.

E.2 Use of the AGM

The 2017 AGM will be held on 13 June 2017. The whole Board is expected to attend the AGM and be available to answer shareholders' questions.

To facilitate shareholder participation, electronic proxy voting and voting through the CREST proxy appointment service are available. All votes are taken by way of a poll to include all shareholder votes cast.

BOARD LEADERSHIP

The role of the Board

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

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

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

- the company's overall strategy, medium-term plans and annual budgets;
- financial statements and company'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; and
- major changes to accounting policies or practices.

Composition of the Board

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

There is an established, formal, rigorous and transparent procedure for the selection and appointment of new directors to the Board, which is described in the Nomination Committee report on page 64. At the Annual General Meeting (AGM) to be held on 13 June 2017, shareholders will be asked to approve the re-election of all current directors, with the exception of Daniel Bernard, who will not be standing for re-election.

Independence of Non-executive Directors

At its meeting in March 2017, the Board considered the independence of each of the non-executive directors (other than the Chairman, who was deemed independent by the Board at the date of his appointment) against the criteria specified in the Code, and determined that all remain independent.

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

Diversity on the Board

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

As a company, we encourage diversity and promote a culture of inclusion at all levels of our business. We believe in and are committed to maximising the benefits that this approach provides. Charts demonstrating the gender split at Board level, senior management level, and for all employees across the company can be found on page 65.

Roles of the Chairman, Senior Independent Director, Chief Executive Officer and Group Company Secretary

Chairman

- Ensuring that the Board determines the nature, and extent, of the significant risks the company is willing to take to achieve its strategic objectives.
- Setting the style and tone of Board discussions and setting a plan of Board activity that primarily focuses on strategy, performance, value creation and accountability.
- Ensuring that there is effective and appropriate communication of financial and other information by the company to its shareholders.

Senior Independent Director

- Acting as a sounding board for the Chairman of the Board, providing support for them in the delivery of their objectives.
- Chairing the Nomination Committee when it is considering the succession to the role of Chairman of the Board.
- Working with the Chairman, other directors and shareholders as necessary to resolve any significant issues.

Chief Executive Officer

- Leading the executive management of the company's business
- Maintaining a dialogue with the Chairman on important and strategic issues facing the company.

Group Company Secretary

- Ensuring good quality information flows from executive management to the Board and its committees.
- Advising the Board on legal, compliance and corporate governance matters.
- Facilitating inductions and ongoing training for all directors.

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

GOVERNANCE STRUCTURE

Kingfisher Board

AUDIT COMMITTEE

Oversee financial reporting, audit and risk.

Read more on page 60

NOMINATION COMMITTEE

Oversee Board composition and succession planning.

Read more on page 64

REMUNERATION COMMITTEE

Oversee the linking of reward to strategy.

Read more on page 66

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, GNFR and corporate governance services.

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

PEOPLE
ALASTAIR ROBERTSON

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

Develop engaged and skilled colleagues to champion the customer experience.

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

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, delivering to all stores and customers' homes.

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.

SALES & RETAIL OPERATIONS
JEAN-PAUL CONSTANT

Create the conditions of leadership in every country.

Work closely with the Country and Operating Company CEOs to:

1) increase consistency and efficiency in all our operations; and
2) deliver an outstanding customer experience in each store and online.

DIGITAL & IT
STEVE WILLETT

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, operation and support of all IT services.

BOARD EFFECTIVENESS

Board meetings

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

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

Each year the Board holds at least one meeting outside the UK, in a country in which the company operates. In 2016/17 the Board held two meetings in France, and used these opportunities to meet senior management of the Operating Companies, visit stores in the area, obtain a customer perspective and review local market conditions.

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

Board evaluation

Following the 2015/16 internally-facilitated board evaluation, the Board undertook to review the forward business agenda and reporting of key performance indicators, and renew focus on succession planning and talent management. Significant improvement was seen in each of these areas during the year. A fully revised forward Board agenda has been prepared, tailored to support the Group Executive as they deliver the transformation strategic milestones. Transformation delivery and financial performance reporting has been updated during the year. The Board considered management development reviews and succession plans for key senior management roles, and refreshed its Board-level emergency succession plans.

In autumn 2016, an externally-facilitated process was conducted by Ffion Hague of Independent Board Evaluation to review the performance and effectiveness of the Board, its committees and individual directors. Ffion Hague and Independent Board Evaluation each have no other connections with Kingfisher and were therefore considered independent in accordance with the Code.

A comprehensive brief was developed with the external assessment team who attended Board and Board committee meetings during September and November 2016. The team also conducted individual interviews with every Board member and with other key colleagues.

The main areas considered during the evaluation were:

- shareholder accountability, relationship and interface;
- strategy;
- governance and compliance;
- board focus;
- risk management;
- succession planning;
- board composition;
- board culture;
- relationship with senior management; and
- decision-making.

BOARD EVALUATION FINDINGS AND 2017/18 ACTION PLAN

	Key Findings	Development Plans
Board Information Flows	It was felt that, whilst Board papers and information flows had improved, there was still some scope to further develop the quality of information made available to the Board.	The Group Company Secretary will lead on developing the quality and effectiveness of Board papers and presentational materials, including further work on paper format, length, and content, to support effective decision-making by the Board and its committees.
Board Succession Planning	The Board agreed that there were robust succession plans in place at executive level, although it was felt that succession planning for the Board, and particularly for non-executive directors, needed to be a focus during the year ahead.	Board succession planning, including a review of the Board skills matrix, would be a key focus of the Nomination Committee during the year.
Contact with Senior Management	The Board felt that it would benefit from further contact with key senior management to further enhance its understanding of the key issues and opportunities facing the business.	Further contact with key senior management, including Operating Company CEOs, has now been built into the Board Forward Planner for 2017/18.

The results of the evaluation were considered by the Board at its meeting in January 2017. 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. The contribution and commitment of each director, and their interaction with each other, remained good, and the challenge offered by the non-executive directors was robust and appropriate.

The Board Action Plan for 2017/18, based on the findings of the above process, is outlined in the table on the previous page. 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.

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

Induction, information and professional development

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

A tailored induction programme was created for Rakhi Goss-Custard, who joined the Board in 2016. This programme included:

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

If required, external training courses may be provided at the company's expense.

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

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

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

Conflicts of interest

The company has robust procedures in place to identify, authorise and manage potential or actual conflicts of interest, and these procedures have operated effectively during the year. Following review of the register of directors' situational and transactional conflicts, the Board confirmed that there were no situations of which they were aware which would, or potentially could, give rise to conflicts with the interests of the company, other than those that might arise from directors' other appointments. 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 50 and 51.

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. In total, around 500 meetings were undertaken last year. Meetings with the Chairman, Senior Independent Director and other Board directors (e.g. with the Chair of the Remuneration Committee) are also offered to our major shareholders each year.

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;
- governance, including succession planning; and
- executive remuneration.

Results, annual reports, latest analyst estimates and technical guidance, presentations and archived webcasts are all available at kingfisher.com and can be viewed and downloaded on our Investor Relations iPad App. 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.

At the 2017 AGM, to be held on Tuesday 13 June 2017, all resolutions will again be put to shareholders on a poll, and the results announced to the London Stock Exchange. They will also be published on our website, shortly after the meeting. Further details about the 2017 AGM can be found in the Notice of Annual General Meeting, which is available at kingfisher.com.

Overseeing effective controls

AUDIT COMMITTEE MEMBERS

	Joined	Attendance
Andrew Bonfield (Chairman)	11/02/2010	4 / 4
Anders Dahlvig	16/12/2009	4 / 4
Rakhi Goss-Custard	1/02/2016	4 / 4
Mark Seligman	1/01/2012	4 / 4

KEY DUTIES & RESPONSIBILITIES

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

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

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

Dear shareholders,

I am pleased to present the Audit Committee Report for the year ended 31 January 2017, 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 have considered the alternative performance measures used in Kingfisher's financial reporting, to more clearly convey the underlying performance of the business during the transformation programme. These measures are described on page 61.

We continued to receive regular in-depth presentations 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. These 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.

We also considered and reviewed the internal control framework we have in place to ensure good practice and high standards in all our business support services, including the controls for our legal and financial compliance activities.

At the Committee's request, the Chief Financial Officer and senior members of the Finance Department attend meetings of the Committee. In addition, the external and internal auditors are regular attendees. Our effective working relationship with the wider business has been maintained through the year.

This year we welcomed Rakhi Goss-Custard to the Committee. 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 to the left. I am grateful to all the Committee members for their contribution during the year.

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

Andrew Bonfield
Chairman of the Audit Committee

21 March 2017

Significant financial reporting matters

The significant financial reporting matters the Committee considered in the year are detailed below:

- The Committee considered the £2.4 billion **carrying value of goodwill** to determine whether any impairment had been suffered. The Committee reviewed the validity of cash flow projections based on four-year strategic plans and the significant financial assumptions used, including the selection of appropriate discount and long-term growth rates in light of market volatility, following the EU referendum and the US elections. 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.
- The Committee considered 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 Financial Review and note 2a of the consolidated financial statements 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 store impairments and movements in the UK and continental Europe restructuring provisions, which were also reviewed for appropriate recognition and measurement. The Committee concluded that the inclusion of transformation costs and exceptional items was useful to readers in providing an indication of the company's underlying business performance, and that the prominence, explanation and reconciliation of the alternative performance measures were appropriate.
- The Committee reviewed the principal judgements relating to **inventories**, which at £2.2 billion represent 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 estimated impacts on future selling prices of the company's transformation plan and associated range review and clearance activities. The Committee concluded that the stock provisions recorded were appropriate.
- The Committee reviewed the significant judgements and estimates relating to **corporate and business taxes**, in particular those surrounding uncertain tax positions. 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.
- The Committee reviewed the significant judgements relating to **rebates** and continues to be satisfied with the judgements taken and the control environment in relation to the recognition of rebate income and financial statement reporting.

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 2016/17 Annual Report and Accounts are fair, balanced and understandable.

GOVERNANCE

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

All members of the Committee receive an appropriate induction. The induction programme offered to Rakhi Goss-Custard in 2016 included an overview of the business, its financial dynamics and risks, and access to the company's operations and staff including members of the finance, internal audit, tax, treasury, legal and company secretariat teams. Ongoing training is available to all members of the Committee as required.

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

The effectiveness of the Committee was considered as part of the Board evaluation detailed on page 58. The evaluation found the Committee continues to be seen as rigorous and efficient. The evaluation report noted improved clarity of reporting to the Committee regarding risk management, which had been an action identified in the 2015/16 evaluation, but that continued progress in this area was desirable. The risk and controls reporting from the Operating Companies was also considered and it was agreed to increase the time allocated to these reports.

ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

Internal controls and risk

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

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

The Committee considered reports on the output from the company-wide process used to identify, evaluate and mitigate risks and reviewed the annual report on the company's systems of internal control and their effectiveness, and reported the results of the review to the Board. No significant weaknesses were identified.

Further information on the company's risk management and internal control procedures can be found on pages 38-46.

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

During the year, among other matters, the Committee:

- considered the going concern and longer-term viability statements, reviewing the scenarios and risk mitigations which underpin the sensitivity analysis completed, and considered how these align to delivery of the strategic plan over the five-year period initially adopted. The impact of both separate and cumulative scenarios occurring, and the potential mitigating actions, were considered in confirming Kingfisher's expected resilience. Further information is provided in the Strategic Report on page 46;
- considered the internal audit function's regular reviews of the Unified IT Platform to provide the Committee with assurance over the governance, performance and delivery of this programme. This is a significant project for the company and the Committee is satisfied that the correct level of control is being maintained. Further reviews will be carried out in 2017; and
- received presentations from the IT function, focusing on cyber risks the company faces and the mitigations in place.

Group internal audit

The Committee receives updates from the internal audit programme at every meeting. Reports during the year included updates on the company's risk management systems, findings from reviews of these systems, and reviews of the remit, organisation, annual plan and resources of the internal audit function.

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

External audit

The Committee reviews and makes recommendations to the Board with regard to the re-appointment of the external auditor. In doing so, the Committee takes into account auditor independence and audit partner rotation. Deloitte LLP were appointed as external auditor in 2009/10, following a formal tender process. Richard Muschamp was appointed lead audit partner following the conclusion of the 2013/14 audit process.

During the year, the Committee agreed the approach to and scope of the audit work to be undertaken by the external auditor, Deloitte LLP. The Committee also reviewed and agreed the terms of engagement and fees payable in respect of the 2016/17 audit work. Details of the amounts paid to the external auditor for their audit services are given in note 7 to the accounts. In addition, the external auditor provided the Committee with a schedule of each matter on which there was an initial difference between them and management in relation to the accounting treatment, and the final decisions on these issues.

The Committee also considered the effectiveness and independence of the external auditor. The Committee reviewed the experience and expertise of the audit team, the fulfilment of the agreed audit plan and any variations to it, feedback from the company's businesses and the contents of the external audit report. The Committee received a statement of independence from the auditor, a report describing their arrangements to identify, report and manage any conflicts of interest, and reviewed the extent of non-audit services provided to the company. The Committee confirmed its satisfaction with 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.

During the year, the Committee considered the timing for the next audit tender. The knowledge base built up year-on-year by the incumbent external auditor is considered to be particularly important as the company implements the transformational change programme. The Committee is confident that the external auditor continues to be independent and effective and for this reason it is considered to be in the interests of shareholders to retain Deloitte LLP until a competitive tender is held in time for the audit of the 2019/20 financial results.

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

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.

During the year, the company updated its policy on the use of its external auditor for non-audit work. The external auditor is precluded from engaging in non-audit services that would compromise their independence or violate any laws or regulations affecting their appointment as external auditor. The approval of the Chairman of the Committee is required prior to awarding high-value non-audit contracts to the external auditors, and the non-audit work planned and performed is monitored by the Committee. The company's policy on the use of the external auditor for non-audit work can be found on the company's website (kingfisher.com).

ACCOUNTABILITY, RISK MANAGEMENT AND INTERNAL CONTROL

Internal control 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, and to comply with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and the UK Corporate Governance Code.

The Board confirms that it has reviewed the effectiveness of the internal control system, including financial, operational and compliance controls and risk management in accordance with the Code, for the period from 1 February 2016 to the date of approval of these Annual Report and Accounts 2016/17.

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.

Further information regarding our approach to Risk Management is provided on page 38 of the Strategic Report.

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

Monitoring

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

- an annual planning process and regular financial reporting, comparing results with plan and the previous year on 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 follows a planned programme of reviews that are aligned to the company's risks. The function:

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

Ensuring balance and diversity

NOMINATION COMMITTEE MEMBERS

	Joined	Attendance
Daniel Bernard (Chairman)	24/05/2006	4 / 4
Andrew Bonfield	11/02/2010	4 / 4
Pascal Cagni	17/11/2010	4 / 4
Clare Chapman	2/12/2010	4 / 4
Anders Dahlvig[(1)]	19/12/2009	3 / 4
Rakhi Goss-Custard	1/02/2016	4 / 4
Mark Seligman	1/01/2012	4 / 4

(1) Anders was unable to attend a meeting in May 2016 due to a prior commitment.

KEY DUTIES & RESPONSIBILITIES

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

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

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

Dear shareholders,

I am pleased to present the Nomination Committee Report for the year ended 31 January 2017, on behalf of the Board.

The Nomination Committee has an important role to play in evaluating Board composition and ensuring that it remains appropriate for the delivery of the Company's strategy and business objectives.

When I advised the Board that I was considering stepping down, Mark Seligman, the Senior Independent Director, led the process to find my successor, supported by the Nomination Committee. Having completed this process, the Committee is very pleased to have secured a new non-executive Chairman with the calibre, skills and relevant experience of Andy Cosslett. You can read more about the succession process, and the Committee's approach to Board diversity on the following page.

As part of the succession process, we also considered the composition of each Board Committee. This resulted in Andy Cosslett's appointment to this Committee. He will succeed me as Chairman of the Committee at the conclusion of the AGM.

During the year, the independence, performance, and contribution of Pascal Cagni, Clare Chapman, Andrew Bonfield and Anders Dahlvig was reviewed, each having served on the Board for more than six years. Pascal, Clare, Andrew and Anders were not present for the Committee's deliberations. The Committee recommended the Board re-appointment of Pascal and Clare for an additional three-year term. The Committee was also satisfied that all non-executive directors continue to be independent in character and judgement, and recommended that all serving directors are put forward for re-election by shareholders at the AGM. The Committee's terms of reference were also reviewed during the year.

The Committee is well-placed for the year ahead. Long-term succession planning at Board level will be a key focus, to ensure Kingfisher retains and attracts the very best talent necessary to succeed in the delivery of the transformation plan and beyond.

Daniel Bernard
Chairman of the Nomination Committee

21 March 2017

CASE STUDY

Chairman's succession

Role criteria: In 2016, Daniel Bernard indicated his desire to step down from the Kingfisher Board, once a suitable successor had been found. Mark Seligman, the Senior Independent Director, led the Nomination Committee during the process. We engaged with JCA Group Limited[(1)] (JCA) to assist in this search process. A comprehensive role brief was prepared and the search strategy agreed. In developing the role criteria, we considered the skills and experience that the Board would benefit from when overseeing the implementation of the long-term strategy. Care was taken to ensure the candidates were assessed on merit against these objective criteria and with due regard to the benefits of diversity in its widest definition, including diversity of gender, ethnicity, nationality, skills, experience and background.

Selection process: A short-list of suitable candidates met initially with Mark Seligman and Véronique Laury, and the most suitable of these met with Clare Chapman and Andrew Bonfield, Chairs of the Remuneration and Audit Committees, and Karen Witts, the Chief Financial Officer. The preferred candidate also met the remaining members of the Board, including Daniel Bernard, ahead of our final decision. The Committee was impressed by the calibre of interested candidates. The successful candidate, Andy Cosslett, brings a wealth of relevant experience and was appointed to the Board as a non-executive director and Chairman-designate, effective 1 April 2017. Andy will formally take on the role of Chairman at the conclusion of the AGM, as part of an orderly handover process.

Induction: A tailored induction programme has been developed, and includes meetings and briefing sessions with key shareholders, Group Executive members, key functional leaders, and Operating Company management teams which will provide Andy with a broad understanding of our businesses.

(1) Clare Chapman is a non-executive director of Heidrick and Struggles, which owns JCA. Clare was not involved in decisions regarding the appointment or remuneration of JCA. JCA have no other relationship to Kingfisher.

Andy Cosslett,
Chairman-designate

Appointed to the Board effective 1 April 2017.

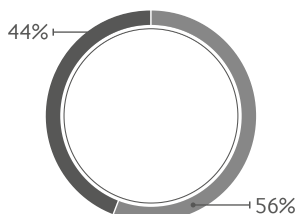
Expertise and experience: Andy Cosslett's early career was with Unilever in a variety of branding and marketing roles. He then spent 15 years at Cadbury Schweppes in senior, international roles before becoming CEO for InterContinental Hotels Group (IHG). Andy was at IHG for six years, creating value by leveraging the power of its brands alongside effecting significant transformational and cultural change. He served as CEO for Fitness First from 2012 to 2015, where he was again successfully instrumental in repositioning the brand. Since 2015, Andy has also been Operating Partner for Advent International.

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.

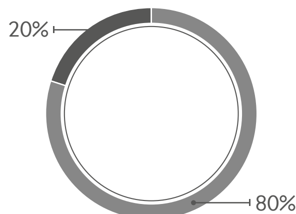
DIVERSITY

The Committee has continued its commitment to diversity, retaining strong Board-level diversity of experience, ethnicity, nationality and gender. Kingfisher's performance demonstrates the value of this diversity, which is also replicated at Group Executive level (44% of Board members and 43% of Group Executive members are female). The company is proud of the diversity that exists right across Kingfisher. We remain committed to maximising the benefits of our diverse workforce to deliver real and sustainable benefits.

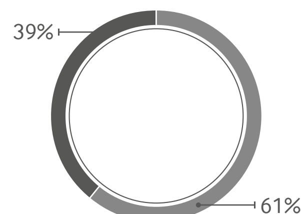
BOARD



SENIOR MANAGEMENT



TOTAL WORKFORCE (FTE)



● Male
● Female

Delivering and rewarding value creation

REMUNERATION COMMITTEE MEMBERS

	Joined	Attendance
Clare Chapman (Chairman)	16/02/2011	5 / 5
Daniel Bernard	03/06/2009	5 / 5
Andrew Bonfield	17/06/2010	5 / 5
Mark Seligman	22/01/2016	5 / 5

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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 shareholders,

I am pleased to present the Directors' Remuneration Report for the financial year ended 31 January 2017, on behalf of the Board. This is the first report under our new Remuneration Policy (the 'Policy'), and follows the completion of Year 1 of Kingfisher's five year transformation strategy. Shareholders engaged with us during 2015/16 as we fundamentally re-designed our executive remuneration arrangements to align reward with the delivery of the outcomes committed to at the Capital Markets Day in January 2016. This has resulted in a much clearer focus on value creation and long-term share ownership as we undergo our transformational journey to become the leading home improvement company in Europe. The Policy received strong support at last year's Annual General Meeting ('AGM') with over 98% of shareholders voting in favour.

In this letter, I set out a summary of the key remuneration decisions for 2016/17 and how the Policy will be implemented in the coming year. I also provide a 'look ahead' view on other reward matters. The remainder of the report then sets out:

- an 'at a glance' section that provides a quick reference point for the key remuneration decisions taken during the year and how the new remuneration structure aligns with our strategy;
- the Annual Report on Remuneration, with details of the pay outcomes in respect of the first year of the Policy and how we intend to implement the Policy for 2017/18; and
- for reference, the Policy as approved by shareholders at the 2016 AGM.

PERFORMANCE IN YEAR 1

Kingfisher delivered a strong performance in the first year of the strategy, with all Year 1 strategic milestones substantially met. This excellent outcome was achieved whilst maintaining underlying business performance and reflects the leadership and capability of both the Group Executive and of colleagues from across the Group.

Significant progress has been made on key areas which have provided a solid base for Year 2, when execution of strategy will accelerate. The Committee recognised both the achievement of 4% unified cost of goods sold (COGS) and the delivery of goods not for resale (GNFR), where benefits above those anticipated were delivered, sooner than expected. The upgrade of the information technology (IT) infrastructure, with the roll-out of the Unified IT platform substantially complete for B&Q and underway for Castorama France, will also serve Kingfisher well as we continue through the next stage of the strategy. The achievement against the strategic objectives did not come without some challenges, including on the clearing of old ranges and managing the volume of operational change. However, management have taken on the key learnings from these, which will be applied in Year 2 and beyond.

Financially, the Group results were ahead on all key metrics. Adjusted sales were up by 8.7% (+2.3% LFL constant currency) to £11.2bn, with retail profit up 13.5% (+6.1% constant currency). Shareholder returns remained strong, with lease adjusted return on capital employed (ROCE) of 12.5%, and adjusted earnings per share growth of 10.9%.

Given this performance, the Committee agreed the reward outcomes for the CEO and CFO, which are summarised below. More detail on the Committee's considerations and decision-making can be found in the Annual Report on Remuneration, which begins on page 70.

KEY REMUNERATION DECISIONS FOR 2016/17

Annual bonus awards

The 2016/17 annual bonus was assessed against the strategic milestones linked to the transformation plan. The purpose of the annual bonus is to align the focus of the executives with the annual strategic objectives which have been agreed between the CEO and the Board as critical to the transformation. These targets apply to all senior management of the Group as well as the executive directors. The overall financial performance of the business is recognised in the Transformation Incentive.

The Committee determined that an award of 90% of maximum, reflecting 72% of salary for both the CEO and CFO, be awarded based on delivery against targets for 2016/17 strategic milestones. Full detail on the performance against each 2016/17 strategic milestone can be found in the Annual Report on Remuneration, which begins on page 70.

Long-term incentive plan (LTIP)

The 2014 LTIP was assessed equally against Earnings Per Share (EPS) growth and Kingfisher Economic Profit (KEP) performance over the three years ending 31 January 2017. EPS growth over the period did not meet the required level of threshold performance and so none of that element will vest. KEP achieved over the performance period was between the threshold and target level of performance set, which will result in 49% of that element vesting. This will result in an overall vesting level for the 2014 LTIP of 24.5% of the maximum opportunity. Achievement against these targets is set out in the Annual Report on Remuneration on page 72. The 2015 LTIP, which will vest based on performance to the end of the 2017/18 financial year, will be the final LTIP award to vest.

KEY REMUNERATION DECISIONS FOR 2017/18

Base Salary

Salary increases of 2%, which are in line with the wider workforce, effective from 1 April 2017, have been awarded to the CEO and CFO. We have previously disclosed our intention to move the CEO's pay into line with the market median over the next three years, and to bring the CFO's pay to an appropriate position relative to the FTSE 25 – 75 and our stated retail peer group over time. For 2017, the CEO requested that the Committee award her and the CFO a salary increase of no more than that of the broader workforce, recognising that the transformation strategy remains in its early stages. The Committee agreed that this was appropriate and awarded a 2% increase to both executive directors. It remains the Committee's intention to align the executive directors' salaries against the market, as set out in last year's Remuneration Report, as execution of the strategy continues to proceed successfully. This may result in salary increases above the average of the workforce over the remainder of the Policy period.

Performance measures for the 2017/18 Annual Bonus and 2017 Alignment Shares award

The 2017/18 annual bonus will be assessed against the strategic milestones agreed by the Board to be critical to the execution of the transformation strategy. The details of these milestones are considered commercially sensitive and will be disclosed in next year's Remuneration Report, but are based around:

- 2017 product range implementation;
- Digital implementation;
- Unified IT platform implementation;
- delivery of further benefits from GNFR;
- implementation of new, simpler and more effective ways of working; and
- motivation of our people.

The 2017 Alignment Share award will continue to support executive share ownership and strengthen long-term alignment between the executive team and shareholders. For 2017, the Committee determined that the CEO and CFO should again receive grants of 80% of salary. These awards will be made given the CEO and CFO's strong personal performance over 2016/17 and, as with the 2016 award, will be subject to robust underpin measures based on the maintenance of the dividend, dividend cover and lease adjusted net debt to EBITDAR ratio. Details of these awards are set out on pages 75 and 76 of the Annual Report on Remuneration.

LOOKING AHEAD

We believe that our approach to executive remuneration is well designed to meet the evolving expectations of shareholders, and appropriately rewards the executive directors to deliver our transformation plan. Our Policy incorporates a number of aspects of leading thinking on executive remuneration, such as the simplification of the annual pay package with a reduced annual bonus; a five-year performance period for the Transformation Incentive and the holding period on the Alignment Shares; and increased shareholding requirements that will continue to apply beyond retirement.

We are also committed to ensuring that all colleagues have the opportunity to share in the success of the transformation. Enhancing our store and digital proposition and helping all customers through their home improvement journey depends on the engagement and expertise of all colleagues. An important part of this is ensuring that all colleagues across the Group receive appropriate and fair pay. During 2017 the CEO and her team will undertake a review of reward structures – including opportunities for share ownership – across the Group. We will update further on progress in next year's Annual Report.

The Committee and I are focused on delivering and rewarding value for all stakeholders, and will continue to apply this focus to our decision-making on executive reward in the years ahead. We look forward to the 2017 AGM as an opportunity to answer any questions you may have on the implementation of the Policy in Year 1, how we intend to implement it in Year 2, or any other relevant topics.

Clare Chapman
Chairman of the Remuneration Committee

21 March 2017

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 new Remuneration Policy.

OUR REMUNERATION PRINCIPLES

Employees as shareholders	Prioritising long-term value	Supporting our culture	Simple and effective
share ownership acting as transparent performance pay aligned with shareholders	prioritising long-term value creation over short-term financial goals	maintaining fairness through a consistent cascade of pay structures	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					Balance sheet health
	75% of award: three-year vesting period			Two-year post-vest holding period		
Transformation Incentive	Five-year performance period					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 2016/17
CEO: £755.0k (7.9% increase)
CFO: £575.0k (4.5% increase)

Application of Policy in 2017/18
CEO: £770.1k (2% increase)
CFO: £586.5k (2% 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 2015/16
Award under previous remuneration policy and based on financial elements and personal performance, resulting in an outturn of 69.1% of maximum for both the CEO and CFO.
CEO: £967.4k
CFO: £760.1k

Application of Policy 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

Alignment Shares

Policy
To align executives with long-term health of 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 three, subject to business health underpin measures.

Remuneration in respect of 2016/17
Award made in full (80% of salary) in July 2016.
The Committee made the award due to the strong performance of both the CEO and CFO in 2015/16.

Application of Policy in 2017/18
Award to be made in full (80% of salary). Award will be granted in April 2017.
The Committee made the award based on the strong performance of both the CEO and CFO in 2016/17.

Transformation Incentive

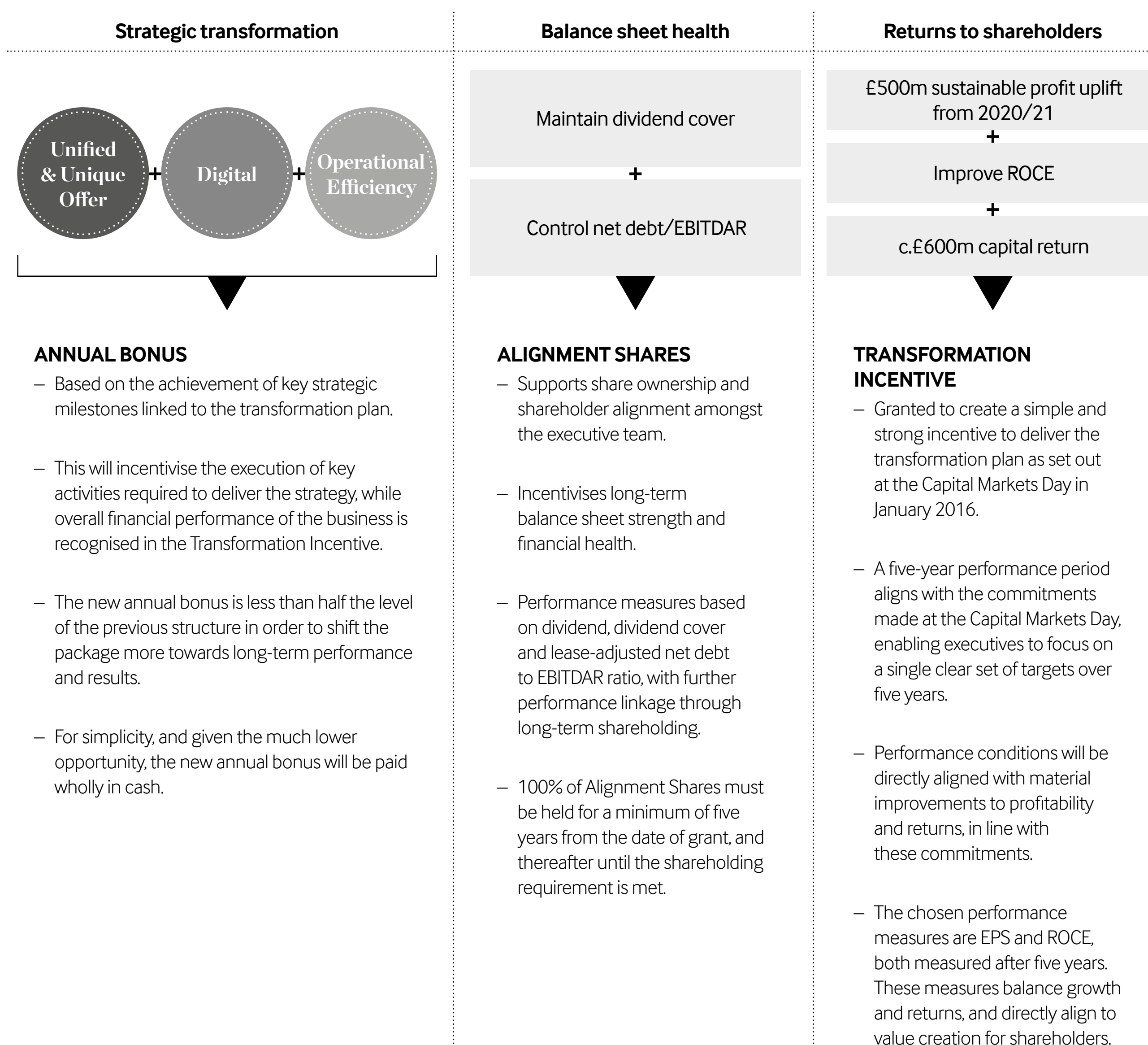
Policy
To align executives with shareholders; rewarding executives for the delivery of improved growth and providing shareholder returns through the execution of the transformation plan. Awards granted once every three years, subject to five-year vesting period. On target award at 220% of salary for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

Remuneration in respect of 2016/17
Award granted at maximum opportunity following the 2016 AGM. 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
No award to be made in 2017/18.
Single award was granted in July 2016.
No further awards will be made under the current Policy.

RATIONALE FOR NEW REWARD STRUCTURE

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



ANNUAL BONUS

- Based on the achievement of key strategic milestones linked to the transformation plan.
- This will incentivise the execution of key activities required to deliver the strategy, while overall financial performance of the business is recognised in the Transformation Incentive.
- The new annual bonus is less than half the level of the previous structure in order to shift the package more towards long-term performance and results.
- For simplicity, and given the much lower opportunity, the new annual bonus will be paid wholly in cash.

ALIGNMENT SHARES

- Supports share ownership and shareholder alignment amongst the executive team.
- Incentivises long-term balance sheet strength and financial health.
- Performance measures based on dividend, dividend cover and lease-adjusted net debt to EBITDAR ratio, with further performance linkage through long-term shareholding.
- 100% of Alignment Shares must be held for a minimum of five years from the date of grant, and thereafter until the shareholding requirement is met.

TRANSFORMATION INCENTIVE

- Granted to create a simple and strong incentive to deliver the transformation plan as set out at the Capital Markets Day in January 2016.
- A five-year performance period aligns with the commitments made at the Capital Markets Day, enabling executives to focus on a single clear set of targets over five years.
- Performance conditions will be directly aligned with material improvements to profitability and returns, in line with these commitments.
- The chosen performance measures are EPS and ROCE, both measured after five years. These measures balance growth and returns, and directly align to value creation for shareholders.

VESTING OF LEGACY AWARD MADE UNDER PREVIOUS REMUNERATION POLICY

2014 LTIP

	EPS performance measure (50% weighting)	KEP performance measure (50% weighting)	Total award (% of max.)	Number of shares vesting	Value of shares vesting £'000
Executive directors					
Véronique Laury	0%	49%	24.5%	33,327	116.7
Karen Witts	0%	49%	24.5%	78,197	273.7

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 2017. 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 13 June 2017. 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 2017 and the comparative figures for the financial year ended 31 January 2016.

		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	**2016/17**	**745.8**	**87.9**	**537.0**	**151.1**	**116.7**	**93.2**	**1,731.7**
	2015/16	700.0	228.1	967.4	–	–	87.5	1,983.0
Karen Witts	**2016/17**	**570.8**	**29.2**	**411.0**	**115.1**	**273.7**	**99.9**	**1,499.7**
	2015/16	550.0	29.0	760.1	–	–	96.3	1,435.4
Total	**2016/17**	**1,316.6**	**117.1**	**948.0**	**266.2**	**390.4**	**193.1**	**3,231.4**
	2015/16	1,250.0	257.1	1,727.5	–	–	183.8	3,418.4

NOTES TO THE SINGLE TOTAL FIGURE OF REMUNERATION FOR THE EXECUTIVE DIRECTORS (audited information)

1. Base Salary

Executive directors' salaries were increased at the start of the 2016/17 financial year with effect from 1 April 2016. No other reviews took place during the year.

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

The effective pay date for the annual pay review changed from 1 February 2016 to 1 April 2016. This was to simplify pay administration by moving towards consistency across the Group.

As disclosed in last year's Report on Remuneration, these salary increases were made to move the salary of the CEO toward the market median over time, and to move the salary of the CFO to an appropriate position between the FTSE 25-75 and the retail peer group. Full details are included in the 2015/16 report. The CEO and CFO will receive a 2% increase for 2017.

2. Taxable Benefits

The benefits provided to executive directors for both 2016/17 and 2015/16 included car benefit (or cash allowance), private medical insurance, death-in-service cover, financial advice and, where applicable, relocation support.

	Car benefit(1) £'000	Medical £'000	Financial advice £'000	Relocation support £'000	Tax advice	Sharesave £'000	Life assurance £'000	Total 2016/17 £'000	Total 2015/16 £'000
Executive directors									
Véronique Laury	18.1	4.2	–	39.0(2)	24.8(3)	–	1.8	**87.9**	228.1
Karen Witts	22.2	2.2	2.5	–	–	–	2.3	**29.2**	29.0
Total	**40.3**	**6.4**	**2.5**	**39.0**	**24.8**	**0.0**	**4.1**	**117.1**	**257.1**

(1) Véronique Laury opted for a company car. Karen Witts opted for the cash allowance.

(2) In last year's Remuneration Report, we advised that the relocation support for the CEO had ended. However, as a result of assistance in respect of an audit by the French tax authorities, which arose because of the CEO's change in circumstance upon appointment, the Committee determined that it was appropriate to categorise the benefit provided as part of the relocation allowance. The assistance was not anticipated at the time of last year's Remuneration Report, and was directly related to the CEO's relocation. This has resulted in a total relocation support of £253,300 which is within the budget provided of £350,000. Note that these figures are inclusive of tax payable on expenses reimbursed. The audit is now complete and no further benefits will be provided under the relocation support.

(3) 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

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 2016/17 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 2017 and the resulting payout.

Strategic Pillar (Weighting)	Target	Detail	Achievement	Total score
Unique & Unified Offer (30%)	Achieve at least 3% – 4% costs 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.	3.6% of COGS had successfully gone through the unified process at the end of the 2016/17 financial year. See Strategic Report, page 18, for further information.	80%
	Deliver new ONE Offer & Supply Chain Organisation	Improve centralised buying throughout our businesses which will increase efficiencies and drive cost reductions.	Offer organisation now in place with centralised buying offices, global range teams and global commercial teams all established. See Strategic Report, page 18, for further information.	
Digital (30%)	Build 'Brilliant Basics' platform for B&Q	Improve core elements of Kingfisher technology to increase web traffic and sales conversion to enable higher online and store sales.	Five of the six 'Brilliant Basics' have been successfully developed, with the sixth due for imminent completion following a minor delay. See Strategic Report, page 19, for further information.	92%
	First three components of the Home Improvement Platform developed	To support customers through their home improvement journey. The components have yet to be rolled out and therefore remain commercially sensitive.	The three components have been successfully developed as at the end of the 2016/17 financial year and within the budget.	
Operational Efficiency (30%)	Complete unified IT platform, roll-out in B&Q and start Castorama France roll-out	First stage of the implementation of unifying the Group's IT systems.	IT unified platform has been successfully implemented in B&Q and roll-out has begun in Castorama in line with the original target set. Some minor delays were experienced with the decommissioning of the previous system in the UK, but it is expected that this will be completed early in the 2017/18 financial year. See Strategic Report, page 19, for further information.	95%
	Complete closure of c. 15% of surplus space at B&Q	Closure of 30 under-performing stores or stores that no longer fit the strategic priorities of the Group during 2016/17. The B&Q store closure programme, which was first announced in March 2015, targeted the closure of 65 stores in total over the two-year period.	35 B&Q store closures successfully completed in 2016/17. See Strategic Report, page 20, for further information.	
	Open 10 Screwfix counters in Germany	Establish 10 new Screwfix trade counters within Germany, a key European market.	10 stores successfully opened within budget.	
	Deliver £20m of benefits from GNFR (goods not for resale) – Waves 1 and 2 completed	Drive operational efficiency by consolidating GNFR. Categories to date have covered media buying, print and paper, mechanical handling equipment, point of sale material, financial services and shop-fitting.	A £30m benefit (consisting of savings, and working in a simpler and more effective way across the business) was delivered ahead of budget and plan.	
People (10%)	Employee engagement as flat or improved	To assess the level of employee engagement. Engagement is measured annually using Gallup Q12, an employee survey tool, which is completed anonymously. The results are used to inform management and are also presented to the Board.	Employee engagement score for 2016/17 increased marginally to 4.23 out of 5. (Prior year: 4.20). Maintaining the engagement of colleagues during transformational change can be challenging so a slight increase in the Gallup score across the Group is a positive achievement.	100%
Total achievement				**90%**

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. In particular, it was recognised that the achievement of meeting the unified COGS target and the delivery of the GNFR target, ahead of plan, has resulted in a significant step forward in the Company's journey to successfully transforming the business. The Committee also recognised that some milestones were not fully met, and therefore determined that a bonus of 72% of salary (90% of the maximum opportunity) be payable to the executive directors. This equates to £536,976 for the CEO and £410,976 for the CFO. The annual bonus for the financial year 2016/17 will be paid in April 2017, and will be paid entirely in cash. This award level was also considered to be appropriate in the context of the Group financial performance through 2016/17.

4. Alignment Shares

In line with our Policy, the Committee determined that personal performance for both the CEO and CFO had been strong throughout the 2015/16 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 2015/16 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.

	Number of shares(1)	Value of shares vested(2) £'000
Executive directors		
Véronique Laury	45,564	151.1
Karen Witts	34,701	115.1

(1) The number of shares shown represents the proportion of the alignment share award granted in July 2016 which vested immediately.
(2) Share price being 331.6p, being the closing share price on the date of vesting.

5. LTIP

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 2017).

The table below sets out the LTIP due to vest in 2017 in respect of the performance period ended 31 January 2017.

	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%	2.7%	0.0%
2016/17 Kingfisher Economic Profit (KEP)	£(23)m	£(3)m	£71m	£2m	49%
Total					24.5%

	Number of shares awarded	Dividend shares accrued(1)	Number shares vesting	Value of shares vesting(2) £'000
Executive directors				
Véronique Laury	124,204	11,826	33,327	116.7
Karen Witts	291,423	27,752	78,197	273.7

(1) Estimated number of dividend shares calculated for the final dividend based on the share price as at 31 January 2017. The actual number of dividend shares will be calculated at the point of vesting with reference to the share price when the dividend is made.
(2) Calculated using the average closing share price for the last three months of the 2016/17 financial year of 350.0p per share.

At the Committee meetings in January and March 2017, the Committee considered whether to make an adjustment to the KEP target to take account of the costs linked to the strategic transformation. These costs were comprised of the transformation costs and the B&Q store closures. Overall, adjusting consistently for the positive and negative impacts of these items would have increased the total vesting of the 2014 LTIP from 24.5% to 26.3% of the maximum opportunity. The Committee concluded that it remained appropriate to retain the formulaic outcome from the measure, and that no adjustment should be made. This resulted in a vesting of 24.5% of maximum for both the CEO and CFO.

As explained in previous reports, Kingfisher no longer reports using the KEP measure and so a brief explanation of KEP, together with the table below, has been included to provide transparency on the outcome of this measure in respect of the 2014 LTIP. 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 are reconciled in the table below and 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.

KEP calculation

Adjusted pre-tax profit	£743m	See page 31
Share of interest and tax of JVs and associates plus finance costs before exceptional items and FFVR	£12m	See page 31
Tax at effective tax rate of 26%	£(195)m	See page 34 (Effective tax rate)
Property operating lease rentals after tax	£293m	See page 36 (Lease rentals) and 34 (Effective tax rate)
Adjusted post tax profit for KEP purposes	£853m	
Less capital charge	£851m	See table opposite
KEP	£2m	

Capital charge calculation

Capital employed	£5,854m	2 point average of equity shareholder funds less net cash (excluding China)
Capitalised leases	£5,754m	2 point average of total country leases divided by long-term property yield
Net pension adjustment	£(107)m	2 point average of net defined benefit pension schemes surplus (net of tax at effective rate)
Lease-adjusted capital employed	£11,501m	
WACC	7.4%	
Capital charge	£851m	

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.

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

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

	Employer contributions into DC Scheme £'000	Cash alternative £'000	Total 2016/17 £'000	Total pension benefit as a % of base salary
Executive directors				
Véronique Laury	–	93.2	93.2	12.5%
Karen Witts[1]	–	99.9	99.9	17.5%

(1) Salary Sacrifice member contributions into the Kingfisher Defined Contribution pension scheme were made by Karen Witts to the value of £14,999.96.

PAYMENTS TO PAST DIRECTORS AND LOSS OF OFFICE (audited information)

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

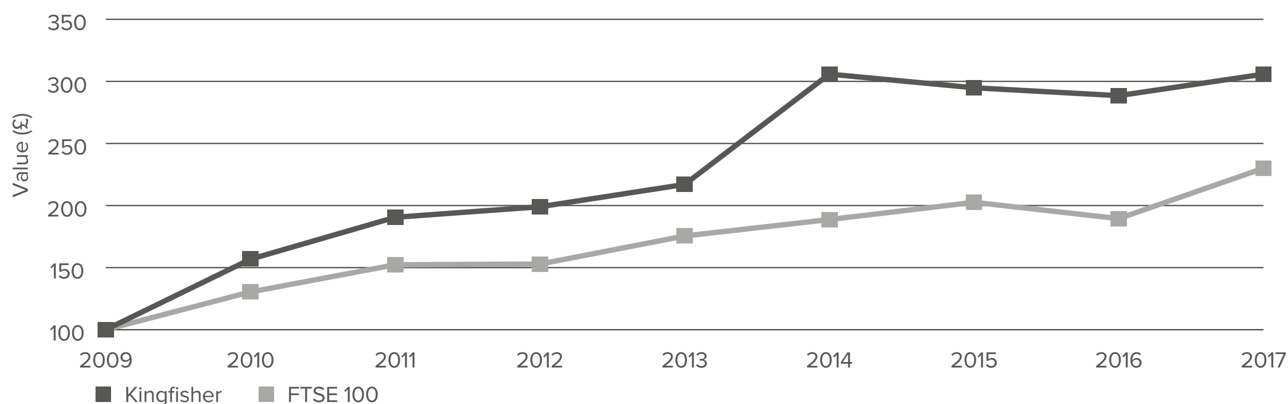
OUTSIDE APPOINTMENTS FOR EXECUTIVE DIRECTORS

Subject to the rules governing conflicts of interest, the Group 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 £100,000 per annum for fulfilling this role. She retains these fees.

PERFORMANCE GRAPH

The graph below shows Kingfisher's total shareholder return for the eight years to 31 January 2017, 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 EIGHT 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 2017.

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	537.0	20[5]	100	151.1	200	24.5	116.7	1,731.7

(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 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 initially given 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 and Véronique Laury took over the position on this date. Sir Ian Cheshire's remuneration in the table is from the start of the financial year up until 8 December 2014, and Véronique Laury's is from 8 December 2014 to the end of the financial year. The single total figure in the table above shows the combined total remuneration package for both Sir Ian Cheshire and Véronique Laury.
(5) This represents 25% of the total Alignment Share award (equivalent to 80% of salary) granted following the 2016 AGM. This portion of the 2016 award vested upon grant. The remaining 75% of this award (equivalent to 60% of salary) will vest in 2019 subject to the underpin measures set out in last year's Remuneration Report.

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 2015/16 and 2016/17 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 2017 £'000	Percentage change 2016/17 vs 2015/16	All UK Employees
Base Salary	745.8	7%	1.5%
Taxable Benefits[1]	87.9	-61%	3.3%
Annual Bonus[2]	537.0	-44%	18.6%
Total	**1,370.7**	**-28%**	**3.0%**

(1) The reduction in the CEO's taxable benefits from the prior year is due to the bulk of the CEO's relocation costs being incurred during 2015/16.
(2) The reduction in the CEO's annual bonus is reflective of the reduced maximum bonus opportunity provided under the new Remuneration Policy, approved by shareholders at the 2016 AGM. The maximum bonus opportunity decreased from 200% to 80% under the new Policy.

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	2016/17	2015/16	Percentage change
Overall expenditure on pay	**1,648**	1,499	9.9%[1]
Total dividends paid in the year	**230**	232	(0.9%)[2]

(1) The increase year-on-year is mainly driven by foreign exchange movements. On a constant currency basis, the percentage change is 2.9%
(2) Although the overall cash dividend decreased year-on-year, the ordinary dividend per share increased by 3%.

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 2017. Calculations are based on a share price of 336.2p (being the closing price of a Kingfisher share on 31 January 2017).

	Shares held		Awards over nil cost options				
Name	No of shares held outright		Vested but not exercised[1][2]	Unvested and subject to continued employment[3]	Unvested and subject to performance conditions and continued employment[4]	Shareholding requirement (% of base salary)[5]	Shareholding 31 January 2017 (% of base salary)
Executive directors	31 Jan 2017	31 Jan 2016					
Véronique Laury[6]	221,582	192,058	45,958	156,640	2,682,486	350%	110%
Karen Witts[6] [7]	118,387	110,736	126,568	172,251	2,109,382	250%	108%

(1) Includes options granted to Karen Witts under a HMRC-approved ShareSave plan (2,857 shares), which are not in the form of nil-cost options, awards granted to Karen Witts under the KISS 2013 and awards granted to Karen Witts under the Performance Share Plan (PSP) 2012. These awards also include the immediate vest element of the Alignment Share awards granted to both Véronique Laury and Karen Witts under the Kingfisher Alignment Share and Transformation Incentive Plan (KASTIP).
(2) Nil-cost options and awards which have vested but have yet to be exercised are considered to count towards the shareholding requirement, other than any such shares that correspond to the estimated income tax and national insurance contributions that would arise on their exercise (estimated at 47% of the award).
(3) Includes options granted to Karen Witts under an HMRC-approved ShareSave plan (6,011 shares) which are not in the form of nil-cost options, awards granted to Véronique Laury under the KISS FR 2014 and deferred bonus shares granted to both Karen Witts and Véronique Laury in both 2015 and 2016 under the Kingfisher Incentive Share Scheme.
(4) Relates to the 2014 LTIP granted on 15 September 2014, the 2015 LTIP granted on 5 May 2015, and the Alignment Shares (excluding those which vested immediately upon grant) and Transformation Incentive awards which were granted on 19 July 2016.
(5) Under the new Remuneration Policy we introduced a requirement that each executive director build a substantial shareholding to ensure alignment with the interests of shareholders. The Policy requires that the executive directors retain shares awarded to them under the new Policy and the previous Remuneration Policy until they have met the shareholding requirement. Therefore, the time-based requirement, referred to in last year's Remuneration Report, is no longer applicable to the executive directors.
(6) As potential beneficiaries of the Kingfisher Employee Benefit Trust (the "Trust"), Véronique Laury and Karen Witts are deemed to have an interest in the company's ordinary shares held by the Trust. The Trust held 6,455,403 ordinary shares at 31 January 2017.
(7) Between 1 February 2017 and the date of this report, Karen Witts acquired 90 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 2017 under (1) the Kingfisher Incentive Share Plan (KISP) in respect of the deferred share element of the 2015/16 annual bonus; and (2) the Kingfisher Alignment Shares and Transformation Incentive Plan (KASTIP) in respect of the 2016/17 Alignment Share and the Transformation Incentive award.

1. Deferred element of the 2015/16 annual bonus

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

Name	Date of grant	Number of shares	Face value of award[1] £'000	Vesting date	Final exercise date[2]
Executive directors					
Véronique Laury	23 April 2016	133,902	483.7	21 April 2019	20 April 2023
Karen Witts	23 April 2016	105,209	380.0	21 April 2019	20 April 2023

(1) The deferred bonus awards were made under the KISP and were calculated by reference to the average share price for the three dealing days prior to the grant of 361.23p per share.
(2) The awards are structured as nil-cost options. UK awards have an exercise period of four years less one day.

2. 2016/17 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	19 July 2016	45,564	151,1	19 July 2016	19 June 2026
Karen Witts	19 July 2016	34,701	115,1	19 July 2016	19 June 2026

(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 331.60p 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	Performance period(4)	Final exercise date(5)
Executive directors					
Véronique Laury	19 July 2016	136,692	453,0	31 Jan 2019	19 June 2026
Karen Witts	19 July 2016	104,103	345,0	31 Jan 2019	19 June 2026

(1) Vesting date of 19 July 2019.
(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 331.4p per share.
(4) The shares will vest subject to performance against the underpin conditions over the period to the end of 2018/19 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 2016 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.

3. Transformation Incentive

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

	Date of grant	Number of shares(1)	Face value of award(2)(3) £'000	Performance period(4)	Final exercise date(5)
Véronique Laury	19 July 2016	2,004,828	6,644.0	31 Jan 2021	19 June 2026
Karen Witts	19 July 2016	1,388,050	4,600.0	31 Jan 2021	19 June 2026

(1) Vesting date of 19 July 2021.
(2) 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 331.4p per share.
(3) The awards are structured as nil-cost options and have an exercise period of ten years less one month.
(4) The shares will vest subject to performance against ROCE and EPS measures over the period to the end of the 2020/21 financial year.
(5) Target award of 220% of salary for the CEO and 200% for the CFO with a 4x multiplier for exceptional performance. This equates to an annualised equivalent of 293% and 267% of salary for the CEO and CFO respectively for exceptional performance.

The figures above reflect the maximum value of shares that could vest, i.e. 4x target. The number of shares which shall vest will be amended based on the level of performance against targets. Five-year performance period with performance based 50% each on ROCE and EPS as follows. For threshold performance a multiplier of zero is applied. Payouts occur on a straight-line basis between each of the required EPS and ROCE performance points.

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

SCHEME INTERESTS EXERCISED DURING THE FINANCIAL YEAR (audited information)

Name		Number of shares	Exercise price per share (p)	Total exercise price £'000	Date of exercise	Market value of shares at date of exercise (p)	Gain on exercise of options £'000
Executive directors							
Véronique Laury	Performance Share Plan – 2011 A2 (Fr)	25,607	Nil	Nil	26/05/2016	370.1	73.3
	Kingfisher Incentive Share Scheme (KISS) – 2013	12,553	Nil	Nil	26/05/2016	370.1	35.9
Karen Witts	Company Share Option Plan (CSOP) – 2013 Award[1]	10,313	290.87	29.9	27/09/2016	365.8	7.7
	CSOP underpin: KISS – 2013 Award [1]	9,443	Nil	Nil	27/09/2016	365.8	34.5[2]

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

(2) This is made up of the £29,997.42 used to fund the exercise of the CSOP plus the value of dividends accrued over the period.

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 2017.

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 2017 and the comparative figures for the year ended 31 January 2016. 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 2016/17 £'000	Fees 2015/16 £'000
Daniel Bernard[2]	Chairman, Chairman of the Nomination Committee	R, N	480.0	453.6
Andrew Bonfield	Chairman of the Audit Committee	A, R, N	82.4	82.4
Pascal Cagni		N	62.4	62.4
Clare Chapman	Chairman of the Remuneration Committee	R, N	82.4	82.4
Anders Dahlvig		A, N	62.4	62.4
Rakhi Goss-Custard		A, N	62.4	n/a
Mark Seligman	Senior Independent Director	A, R, N	82.4	82.4
Total			**914.4**	**825.6**

(1) Indicates which directors served on each Committee during the year: Audit Committee = A; Remuneration Committee = R; Nomination Committee = N.

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

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 2016/17 and 2015/16 are shown below. No benefits are provided except for a store discount card of up to 20%.

	Fees £'000		
	As at 1 February 2016	As at 1 February 2015	% increase
Chairman	480.0	453.6	5.8%
Non-executive director fee	62.4	62.4	n/a
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

Non-executive directors' shareholdings

The table below sets out the current shareholdings of the non-executive directors (including beneficial interests) as at 31 January 2017. 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 2017[1]	Number of shares held outright as at 31 January 2016
Daniel Bernard	131,592	124,646
Andrew Bonfield	10,000	10,000
Pascal Cagni	30,570	30,570
Clare Chapman	6,990	6,990
Anders Dahlvig	75,000	75,000
Rakhi Goss-Custard	6,124[2]	0
Mark Seligman	15,000	15,000

(1) There have been no changes to the beneficial interests of the non-executive directors between 1 February 2017 and 20 March 2017.
(2) Rakhi Goss-Custard acquired her interest in these shares through her spouse.

STATEMENT OF IMPLEMENTATION OF THE REMUNERATION POLICY FOR 2017/18

Implementation of Remuneration Policy for executive directors in 2017/18

Base Salary

Implemented in line with policy.

Base Salary £'000	As at 1 April 2017	As at 1 April 2016	% increase
Véronique Laury	770.1	755.0	2.0
Karen Witts	586.5	575.0	2.0

We have previously disclosed our intention to move the CEO's pay into line with the market median over the next three years, and to bring the CFO's pay to an appropriate position between the FTSE 25-75 and the retail peer group over time. For 2017, 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 that this was appropriate and awarded a 2% increase to both executive directors. It remains the Committee's intention to realign the executive directors salaries against the market, as set out in last year Remuneration Report, as execution of the strategy continues to proceed successfully. This may result in salary increases above the average of the workforce over the remainder of the policy period.

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:

- 2017 product range implementation – including unified COGS;
- Digital implementation – including implementation of the 'Brilliant Basics' platform and other home improvement platforms;
- Unified IT implementation – roll-out of unified systems;
- Goods not for resale (GNFR) implementation – including measures on benefit delivered for the financial year 2017/18;
- 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 2017/18 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 21 to 23.

Alignment Shares
Implemented in line with policy.

The Committee recognised the strong personal performance of both the CEO and CFO throughout 2016/17 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: the development of a new operating model to take the Group forward to deliver the five-year plan; the completion of the recruitment and development of the Group Executive, as well as her strong leadership of the wider team; the maintenance of the ongoing business and operational delivery through the transformation, in line with expectations; and, the continued delivery of the strategic milestones.

Karen Witts demonstrated strong personal performance through: her leadership and development of the Finance team; the delivery of front line financial results, critical to the Group, as the Group takes the first steps towards implementing the transformation; the delivery of the first stage of the goods not for resale (GNFR) benefits; 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 2020/21. The underpin conditions for the 2017/18 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. No new Transformation Award will be made until 2019/20.

IMPLEMENTATION OF REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS IN 2017/18

Fees

Fees £'000	As at 1 February 2017	As at 1 February 2016	% increase
Chairman[(1)]	480.00	480.0	n/a
Non-executive Director fee	63.7	62.4	2%
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 fee includes a contribution to office costs of £49,500.

The Board considered the fees paid to the non-executive directors in January 2017 and decided to apply an increase of 2%, effective 1 February 2017. 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 2017
Daniel Bernard	24/05/2006	30/06/2018	10 years
Andrew Bonfield	11/02/2010	31/01/2019	6 years
Pascal Cagni	17/11/2010	16/11/2019	6 years
Clare Chapman	2/12/2010	01/12/2019	6 years
Anders Dahlvig	16/12/2009	31/01/2019	7 years
Rakhi Goss-Custard	1/02/2016	31/01/2019	1 year
Véronique Laury	8/12/2014	12 months rolling	2 years
Mark Seligman	1/01/2012	01/12/2017	5 years
Karen Witts	1/10/2012	12 months rolling	4 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 November 2016. These were subsequently approved by the Board at its meeting in January 2017.

Under its updated 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 Group 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 2017.

	From	Attendance
Clare Chapman (Chairman)	16/02/2011	5/5
Daniel Bernard	03/06/2009	5/5
Andrew Bonfield	17/06/2010	5/5
Mark Seligman	22/01/2016	5/5

Non-executive directors who are not members may also attend Committee meetings. The Chief Executive Officer, Chief People Officer, the Interim Head of Group Reward 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 2016/17 included:

- approving the final proposed Remuneration Policy, having considered feedback received from major investors and voting bodies, and agreeing the new share schemes rules, for approval at our AGM in June 2016;
- agreeing the 2015/16 bonus outturn for the executive directors and the other members of the Group Executive;
- approving the grant of the Alignment Share and Transformation Incentive Awards under the new share plan;
- considering the vesting of the 2014 LTIP award;
- agreeing the performance targets for the annual bonus for the 2016/17 financial year;
- reviewing and approving an increase in the Chairman's fee;
- receiving updates from Group Reward on progress in the Group's project to provide a fair and appropriate pay structure for all colleagues; and
- approving the remuneration package for the new members of the Group Executive and the Group Company Secretary.

Advisors to the Committee

During the financial year ended 31 January 2017, the following external advisors provided services to the Committee. Unless otherwise stated, the advisors have no other connection with the Group, and the Committee firmly believes that the advice received was, and continues to be, objective and independent.

PricewaterhouseCoopers LLP (PwC)

PwC were appointed by the Committee as its principal advisors on 1 February 2013 following a robust tender process. PwC is a member of the Remuneration Consultants Group (the professional body for executive remuneration consultants). PwC provided the Committee with executive remuneration advice, including advice relating to the operation of employee and executive share plans. The fees paid to PwC during 2016/17 were £192,800. These fees were incurred on a time and expenses basis. As part of the externally facilitated Board evaluation, the Committee conducted a review of its effectiveness. As part of this, the advice received from PwC 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 15 June 2016, the Annual Report on Remuneration was put to an advisory vote and the Directors' Remuneration Policy was put to a binding vote. The results of the votes were as follows:

Resolution	Votes for (and % of votes cast)	Votes against (and % of votes cast)	Proportion of share capital voting	Shares on which votes were withheld
Annual Report on Remuneration	1,738,232,749 (99.29%)	12,394,027 (0.71%)	77.06%	8,423,734
Directors' Remuneration Policy	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 13 June 2017.

Clare Chapman
Chairman of the Remuneration Committee

21 March 2017

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 Board has no present intention to amend the Policy before it is next due to be put to shareholders for approval at our AGM in 2019. The Committee will, however, continue to monitor the suitability of the Policy 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, kingfisher.com.

Future Policy Table

Base salary

Element and purpose / Operation	Maximum opportunity / Assessment of performance
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 / Operation	Maximum opportunity / Assessment of performance
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 / Operation	Maximum opportunity / Assessment of performance
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	Assessment of performance
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	Assessment of performance
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	Assessment of performance
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.

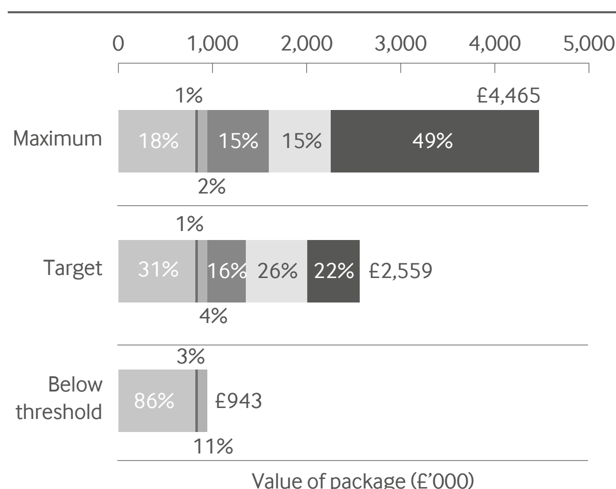
Statement of consideration of shareholder views

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.

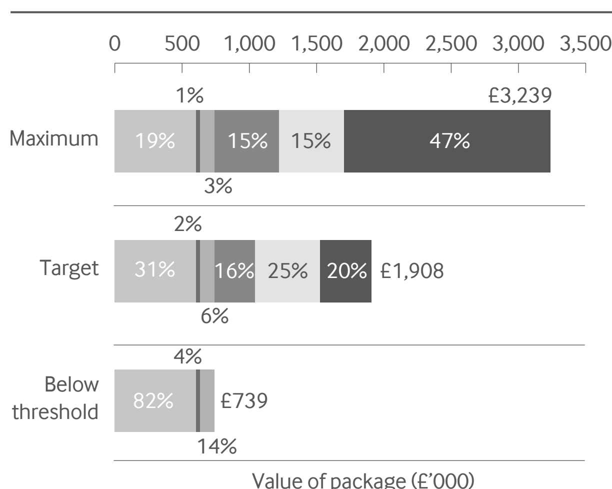
Illustration of the application of the Remuneration Policy

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.

VÉRONIQUE LAURY



KAREN WITTS



Base Salary · Benefits · Pension · Annual Bonus · Alignment Shares · Transformation Incentive

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.

Performance scenarios

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

The Directors present their report for the financial year ended 31 January 2017.

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

Disclosure	Page
Future Developments	22-23
Financial Instruments and Financial Risk Management	130-131
Corporate Governance Report, including Reports from each Board Committee	47-88
Going Concern	46
Viability Statement	46
People & Development	26-27
Directors' Statement of Responsibility	92

This report has been prepared in accordance with the Companies Act 2006, and in compliance with the UK Corporate Governance Code (the Code) and its disclosure requirements under the Financial Conduct Authority's Listing Rules and the Disclosure and Transparency Rules (DTRs).

STRATEGIC REPORT

The Strategic Report, which sets out the company's Key Performance Indicators, a statement on Corporate Responsibility, and a Financial Review, is detailed on pages 1 to 46, is incorporated by reference and is deemed to form part of this report.

DIVIDENDS

The directors recommend a final dividend of 7.15p (2015/16: 6.92p) per ordinary share amounting to £160 million (2015/16: £157m) to be paid on 19 June 2017 to shareholders on the register as at the close of business on 5 May 2017. This, together with the interim dividend of 3.25p (2015/16: 3.18p) per ordinary share, amounting to £73 million (2015/16: £72m), paid on 11 November 2016, results in a total ordinary dividend for the financial year ended 31 January 2017 of 10.4p (2015/16: 10.1p) per ordinary share, amounting to £233 million (2015/16: £229m).

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 2015/16 *(paid June 2016)*	5,676,457 *(100%)*	£392,810.82
Interim 2016/17 *(paid November 2016)*	5,098,874 *(99.67%)*	£165,713.41
Total for year to 31 January 2017		£558,524.23

GREENHOUSE GAS EMISSIONS

We report our annual greenhouse gas (GHG) emissions in tonnes of CO_2 equivalent from activities for which the company is responsible. Details of our emissions for the year ended 31 January 2017 are provided below. Our Sustainability Report contains further details and will be published in June 2017.

We have achieved an 10% 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	2013/14	2014/15	2015/16	**2016/17**
GHG emissions from combustion of fuel and operation of facilities (scope 1)	157,590	164,173	146,807	156,062	**153,553**
GHG emission from the purchase of electricity, heat and steam (scope 2)	247,775	230,760	258,392	246,775	**212,592**
Total scope 1 and 2 GHG emissions (2020 target = 25% reduction)	405,365	394,932.89	405,199	402,837	**366,145**
GHG emissions per m^2 of floor space	61.0	56.3	53.3	51.9	**47.3**

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. Emissions from our Koçtaş joint venture are reported under our scope 3 emissions (category investments).

DIRECTORS

The members of the Board as at the date of this report and their biographical details are set out on pages 48 to 51.

Janis Kong retired from the Board with effect from 1 February 2016 and Rakhi Goss-Custard was appointed to the Board with effect from 1 February 2016.

DIRECTORS' INDEMNITY ARRANGEMENTS

Each director and former director who served on the Board during the 2016/17 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 2016/17. Neither the indemnities nor the insurance provides cover in the event that the director concerned is proved to have acted fraudulently.

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 11 on page 151 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 2016 AGM, shareholders approved a resolution authorising the directors to allot shares up to an aggregate nominal value of £119,460,128. As at the 20 March 2017, the directors had issued 1,200,057 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 £238,920,257 in connection with a rights issue. As at 20 March 2017, the directors had not used this authority. The company will seek to seek to renew these authorities at the 2017 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 2017 AGM.

AUTHORITY TO PURCHASE OWN SHARES

At the 2016 AGM, shareholders approved a resolution permitting the company to make purchases of its own shares to a maximum number of 228,060,245 ordinary shares, representing just under 10% of the issued share capital as at 15 April 2016. This resolution remains in force up to the conclusion of the 2017 AGM.

As at 20 March 2017, the directors had, pursuant to this authority, purchased 28,617,972 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 2017 AGM, in line with our commitment to return c.£600 million of capital to shareholders, announced at our Capital Markets Day in January 2016.

MAJOR SHAREHOLDINGS

As at 20 March 2017, the company had been notified of the following interests in its shares. The information below was calculated at the date on which the relevant disclosures were made in accordance with the DTRs, however the number of shares held by each may have changed since the company was notified.

	Number of ordinary shares held	% of total voting rights
BlackRock, Inc.[1]	168,337,223	7.38%
Mondrian Investment Partners Limited	112,274,595	5.00%
The Capital Group Companies, Inc.[2]	113,093,646	4.99%

(1) Part of the shares held by BlackRock, Inc. are in the form of ADRs.
(2) The Capital Group Companies, Inc. holds its shares through its group companies and funds.

POLITICAL DONATIONS

The company made no political donations during the year (2015/16: £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.

ANNUAL GENERAL MEETING

Our 2017 Annual General Meeting will be held on Tuesday, 13 June 2017 at the Hotel Novotel London Paddington, 3 Kingdom Street, London W2 6BD, at 2.00pm.

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

By order of the Board

Paul Moore
Group Company Secretary

21 March 2017

RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

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

UK company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group Financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and Article 4 of the IAS Regulations and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 "Reduced Disclosure Framework". Under s.393 of the Companies Act 2006, the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

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

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

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

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

RESPONSIBILITY STATEMENT

The directors confirm that to the best of their knowledge:

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

By order of the Board

Paul Moore
Group Company Secretary

21 March 2017

OPINION ON FINANCIAL STATEMENTS OF KINGFISHER PLC

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 January 2017 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 (IFRS) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101: "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements that we have audited comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and Company statements of changes in equity, the consolidated and Company balance sheets, the consolidated cash flow statement and the related notes 1 to 37 for the Group and 1 to 15 for the Company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRS as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101: "Reduced Disclosure Framework".

SUMMARY OF OUR AUDIT APPROACH

Key risks	The key risks that we identified in the current year were: – inventory valuation and provisions; – recognition of supplier rebates; – store impairment and lease based provisioning; – impairment of goodwill; – taxation; and – classification and presentation of exceptional and adjusted items. Within this report, any new risks are identified with ▲ and any risks which are the same as the prior year are identified with ◄►.
Materiality	The materiality that we used in the current year was £37 million which was determined on the basis of profit before tax and exceptional items.
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% of the Group's revenue, 97% of the Group's profit before tax after taking into account the allocation of central sourcing costs, and 95% of the Group's net assets.
Significant changes in our approach	Following the commencement of the ONE Kingfisher strategy, and the Group's new underlying metrics, we have included a new key risk around classification and presentation of exceptional and adjusted items.

GOING CONCERN AND THE DIRECTORS' ASSESSMENT OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE GROUP

As required by the Listing Rules we have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 2 to the Group financial statements and the directors' statement on the longer-term viability of the Group contained within the strategic report on page 46.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the Directors' confirmation on page 38 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 38 to 45 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; or
- the Directors' explanation on page 46 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We confirm that we have nothing material to add or draw attention to in respect of these matters. We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

INDEPENDENCE

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

OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

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

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

Inventory valuation and provisions

Risk description	How the scope of our audit responded to the risk
As at 31 January 2017, the value of inventory held by the Group was £2,173 million as disclosed in note 18 to the financial statements. Assessing the valuation of inventory is an area of significant judgement. There is significant management 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 18, Kingfisher has started rationalising the number of stock keeping units (SKUs) within the business as part of their plans to unify their offer. 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. The Group's principal accounting policy on inventory is on page 109 and the sources of estimation uncertainty for inventory is on page 111. Judgements relating to inventory and stock provisioning policy are a significant issue considered by the Audit Committee as discussed on page 61.	Our audit focused on whether the valuation of year-end inventory was in line with IAS 2. This included challenging judgements taken regarding obsolescence and net realisable value provisions. We obtained assurance over the appropriateness of management's assumptions applied in calculating the value of inventory provisions by: – critically assessing the Group's inventory provisioning policy, with specific consideration given to aged inventory; – 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 57 retail stores; – checking the value of a sample of inventory to confirm it is held at the lower of cost and selling price, through comparison to vendor invoices and current sales prices; and – recomputing provisions recorded to verify that they are in line with Group policy and IAS 2. This was done in conjunction with IT specialists for some components where a manual recomputation was not possible.

Key observations

The results of our audit work were satisfactory and we concur with the judgements around the level of provisions for inventory held.

Recognition of supplier rebates

Risk description	How the scope of our audit responded to the risk
The Group receives significant amounts of supplier incentives, discounts, and rebates, and recognises these as a deduction in cost of sales. These agreements largely comprise of volume-based rebates based on percentage levels agreed for the calendar year, but also include arrangements with a greater degree of judgement such as advertising and marketing support. Given the materiality of the volume-based rebates these have been the focus of our work. Assessing the timing of recognition of the reduction in cost of sales earned from suppliers, including adherence to contractual terms, is an area of complexity requiring both a detailed understanding of the contractual arrangements themselves as well as complete and accurate source data to apply the arrangements to. The majority of rebates agreements are subject to netting agreements with the supplier. However, as detailed in note 19 to the financial statements, there are £287 million of rebate debtors recorded at year end. The Group's principal accounting policy for rebates is on page 107 and the sources of estimation uncertainty for rebates are on page 112.	We tested that amounts recognised were accurate and recorded in the correct period based on the contractual performance obligations by obtaining and reviewing a sample of contracts with suppliers to assess the conditions required for rebate income to be recognised and verified whether or not these had been met. We circularised a sample of suppliers to give assurance that the arrangements recorded were accurate and complete and, where outstanding balances were significant at the year end, to confirm the amounts owed. Where responses were not received, we completed alternative procedures such as obtaining rebate contracts, understanding the contractual terms and recomputing the rebate earned. For volume-based agreements, we recalculated the rebates due based on shipments in the year and contractual terms. For other rebates, we also focussed on the timing of recognition of the rebate income based on the contractual performance obligations. We recomputed the level of volume rebate earned but not recognised, in particular challenging the key assumption of stock turn in the volume rebate in stock adjustment. Our audit assessed the recoverability of rebate debtors by assessing the Group's right to receive the rebate. Where there were netting agreements we agreed that there was a sufficient creditor against which to deduct the rebate due and reviewed post year end debit notes; where there was not a netting agreement we reviewed post year end cash receipts to give assurance that the rebate was recoverable.

Key observations

The results of our testing were satisfactory and we consider the disclosures given around supplier rebates to provide a reasonable understanding of the types of rebate income received and the impact on the Group's balance sheet as at 31 January 2017.

Store impairment and lease based provisioning

Risk description	How the scope of our audit responded to the risk
The Group operates nearly 1,200 stores across 10 countries giving rise to a diverse leasehold and freehold property portfolio. As at 31 January 2017 the value of property, plant and equipment held by the Group was £3,589 million, as disclosed in note 14 to the financial statements. There are several technically complex or judgemental aspects of store impairment and store based provisioning across the Group, which are set out below. We note that cash flow forecasting, impairment modelling and property values are all inherently judgemental. **Store impairment** As detailed in note 14 to the financial statements, store impairments of £10 million have been recorded in the year. A judgement arises in forming an assessment of carrying values of freehold stores and store assets for potential impairment. The key assumptions applied by management in their store impairment reviews are: – country-specific discount rates; – store costs, including rent, staff payroll and general operating costs; and – forecast contribution growth. As detailed in note 2 to the financial statements, the Group uses vacant possession valuations to approximate fair value less costs to sell when considering impairment. **Lease based provisioning** As detailed in note 26 to the financial statements, the Group holds provisions relating to onerous lease obligations following the announcement of the closure of stores in B&Q. As described on page 20 of the Strategic Review, the Group outsourced some lease exits to a third party via a lease liability transaction, and provisions for these leases are included in the total provision. The key assumptions applied by management in estimating this provision relate to the length of void periods and likelihood and level of sub-tenancy income. The Group's principal accounting policy on property, plant and equipment is on page 108 and the sources of estimation uncertainty for impairment is on page 111.	**Store impairment** For freehold properties and store assets with indicators of impairment, we challenged the impairment models and calculations by: – checking the mechanical accuracy of the impairment models; – assessing the discount rates applied to the impairment reviews for each country and comparing the rates to our benchmarks of market data which were assessed in conjunction with valuation specialists; – comparing forecast growth rates to economic data; – considering the historical budgeting accuracy at a store level; – challenging key inputs into the value in use computation, namely forecast sales growth and margin by reviewing both past performance, our understanding of the Group's strategic initiatives and the rationale for future assumptions. We challenged the level of past store performance to critically assess whether assumptions applied were appropriate at the store level; – agreeing the vacant possession value of freehold property to third party valuation reports, challenging the inputs and valuation methodology applied; and – verifying that freehold properties are held in line with IAS 36. **Lease based provisioning** We performed procedures to identify leases which could be considered onerous – for example, we reviewed the properties currently under lease, and identified those which may be vacant or underutilised, or where properties are sublet whether the estimated rental income leads to an onerous contract.

Key observations
We concluded that the assumptions applied in the impairment models were within an acceptable range, and that the overall level of impairment recognised was reasonable.

Impairment of goodwill

Risk description	How the scope of our audit responded to the risk
As at 31 January 2017, the value of goodwill held by the Group was £2,399 million, as disclosed in note 12 to the financial statements. The goodwill within the Group arose via business combinations. Determining the appropriate carrying value of goodwill requires management to make significant estimates including the operating cash flow projections, discount rates and long term growth rates applied. The goodwill attributable to cash generating units (CGUs) is reviewed for impairment using a value in use model, as described in note 12 to the financial statements. As detailed on page 15 to the annual report, the Group's five year plan, of which the year ended 31 January 2017 was the first year, aims to deliver £500 million of sustainable profit uplift by the end of year five. A risk arises that cash flow projections used to support the valuation of goodwill are not in compliance with IAS 36. This standard requires that future cash flows do not include inflows or outflows that (a) are expected to arise from a future restructuring to which an entity is not yet committed or (b) are improving or enhancing the asset's performance. The Group's principal accounting policy on goodwill and intangible assets is on page 108 and the sources of estimation uncertainty on impairment is on page 111. The carrying value of goodwill is a significant issue considered by the Audit Committee as discussed on page 61.	In order to address this key audit risk we audited the assumptions used in the impairment model for goodwill. Our work included: – considering the projected future cash flows, understanding variances between the forecast and actual results for the year ended 31 January 2017 and comparing the forecast performance to the remaining four years of the Group's five year plan and supporting workings; – assessing whether management's cash flow forecasts only include cash flows as allowed by IAS 36; – comparing the long-term growth rates for each cash generating unit to economic forecasts; – working with our internal valuation specialists, who assisted in computing an independent assessment of the discount rates used and assessing management's methodology used in calculating the discount rates applied by benchmarking against those companies in the same or similar sectors; – assessing the appropriateness of the sensitivities applied by management to the impairment testing model and whether the scenarios represented reasonably possible changes in key assumptions. We performed further sensitivities based on recent trading activity and our understanding of the future prospects to identify whether these scenarios could give rise to further impairment; – considering CGU allocation in light of the Group's new strategy and concluded that there have not been any triggers which would require a reallocation of the CGUs; – checking the arithmetic accuracy of the impairment model; and – considering the adequacy of the Group's disclosure in respect of its goodwill impairment testing and whether the disclosures about the sensitivity of the outcome of the impairment assessment to reasonably possible changes in key assumptions properly reflected the risks inherent in such assumptions.

Key observations

The results of our testing were satisfactory and concluded that the assumptions used in the impairment model are within the acceptable range. Based on sensitivity analysis performed using a reasonably possible change in assumptions, no impairment was identified.

Taxation

Risk description	How the scope of our audit responded to the risk
Due to the estimation uncertainty in respect of settlements with tax authorities around the world, assessing the Group's exposure to significant tax risks and the appropriate level of provision to recognise is a judgemental area. The Group's principal accounting policy on taxation is on page 109 and the sources of estimation uncertainty for taxation is on page 112. The significant judgement and estimates relating to corporate and business taxes is a significant issue considered by the Audit Committee as discussed on page 61.	We engaged tax specialists who considered the significant taxation exposures across the Group, and challenged the estimates and judgements made by management when calculating the income tax payable in each territory and the associated provisions held. In assessing the provisions we have considered the tax environment in the significant territories in which the Group operates, the outcome of past settlements and the status of tax audits. The tax specialists reviewed correspondence with taxation authorities in significant locations, as well as reviewing the opinions or other support received from external counsel and other advisers where management has relied on them to make assumptions on the level of taxation payable.

Key observations

The results of our testing were satisfactory and we identified no material exceptions to the provisions recorded.

Classification and presentation of exceptional and adjusted items

Risk description	How the scope of our audit responded to the risk
As explained on page 31, the Group is separately reporting 'transformation costs' from the year ended 31 January 2017 which represent the additional costs of the ONE Kingfisher transformation programme. The Group has included underlying pre-tax profit as a new profit measure. The presentation and consistency of costs and income within transformation costs and exceptional items is a key determinant in the assessment of the quality of the Group's underlying earnings. The presentation of income and costs within non-GAAP measures under IFRS is judgemental, with IFRS 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. There is a risk around whether the definition of an exceptional or transformation cost is appropriate and is applied consistently each year. 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 106 and the judgements made in applying the accounting policy is on page 112. For the year ended 31 January 2017, the Group incurred transformation costs of £44 million along with a net exceptional credit of £17 million. Management judgement is required in determining whether an item meets the Group's definition of transformation costs or is exceptional and non-recurring. The treatment and presentation of transformation costs and exceptional items is a significant issue considered by the Audit Committee as discussed on page 61.	We evaluated the design and tested the implementation of controls around classification of transformation costs and exceptional items. We evaluated the appropriateness of the inclusion of items, both individually and in aggregate, within transformation costs and exceptional items. We also considered consistency with the Group's definition of transformation costs and exceptional items and latest guidance from the Financial Reporting Council. For exceptional items, we reviewed management's application of the policy on exceptional items for consistency with previous accounting periods. We also agreed these items to supporting documentation. We assessed all items, either highlighted by management or identified through the course of our audit, which were regarded as one-off but included within underlying earnings to ensure that these are not material either individually, or in the aggregate. 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 adjustments recorded in calculating underlying profits, we discussed the appropriateness of the item with the Audit Committee and any disclosure considerations.

Key observations

We are satisfied that the amounts classified as exceptional items and transformation costs, and the related disclosure of these items in the financial statements, are appropriate

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 61.

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

OUR APPLICATION OF MATERIALITY

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

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

Group materiality	£37 million (2015/16: £34 million)
Basis for determining materiality	5% (2015/16: 5%) of profit before taxation, before exceptional items as defined in note 2 to the Group financial statements; this is below 1% (2015/16: below 1%) of equity.
Rationale for the benchmark applied	This basis provides a consistent year-on-year approach excluding one-off gains and losses, and is considered to be a relevant performance measure to the Group's stakeholders.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.5 million (2015/16: £0.7 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

Based on that assessment, we focused our Group audit scope primarily on all significant trading entities and the Group head office, and including B&Q UK, Castorama France, Brico Dépôt France, Castorama Poland, Castorama Russia, Screwfix UK, Brico Dépôt Spain, Brico Dépôt Romania and the Koçtaş joint venture. These locations represent the principal business units and account for 99% (2015/16: 99%) of the Group's revenue, 97% (2015/16: 98%) of the Group's profit before tax after taking into account the allocation of central sourcing costs, and 95% (2015/16: 98%) of the Group's net assets. The entities which are out of our scope are primarily individually insignificant cost entities and other smaller operations.

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 £2.4 million to £17.5 million (2015/16: £1.4 million to £17.5 million).

At the Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

HOW WE WORK CLOSELY WITH COMPONENT AUDITORS

The Group audit team continued to follow a programme of planned visits that has been designed so that the Senior Statutory Auditor visits locations considered the most significant each year. For the remaining locations where Group audit work is performed, but no visit is carried out, the Senior Statutory Auditor has discussed and challenged the key areas of judgement with the lead audit partner of the component in the current year and a senior member of the Group audit team has visited the location.

In the current year the Group audit team have made 17 visits to component sites and a senior member from the Group audit team has visited each component at least once.

We also held planning briefings, attended by the component auditors from each of the locations discussed above, at which we discussed developments in the Group relevant to our audit, including risk assessment and audit procedures to respond to the risks identified.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Directors' remuneration

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

Corporate Governance Statement

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

Our duty to read other information in the Annual Report

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

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

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Statement of Responsibility, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Richard Muschamp FCA
Senior Statutory Auditor
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London

21 March 2017

Consolidated income statement

Year ended 31 January 2017

£ millions	Notes	2016/17 Before exceptional items	2016/17 Exceptional items (note 5)	2016/17 Total	2015/16 Before exceptional items	2015/16 Exceptional items (note 5)	2015/16 Total
Sales	4	**11,225**	**–**	**11,225**	10,441	–	10,441
Cost of sales		**(7,050)**	**–**	**(7,050)**	(6,545)	–	(6,545)
Gross profit		**4,175**	**–**	**4,175**	3,896	–	3,896
Selling and distribution expenses		**(2,758)**	**21**	**(2,737)**	(2,666)	(308)	(2,974)
Administrative expenses		**(687)**	**(5)**	**(692)**	(567)	(15)	(582)
Other income		**19**	**7**	**26**	26	157	183
Share of post-tax results of joint ventures and associates	16	**1**	**–**	**1**	3	–	3
Operating profit		**750**	**23**	**773**	692	(166)	526
Finance costs		**(21)**	**(6)**	**(27)**	(22)	–	(22)
Finance income		**13**	**–**	**13**	8	–	8
Net finance costs	6	**(8)**	**(6)**	**(14)**	(14)	–	(14)
Profit before taxation	7	**742**	**17**	**759**	678	(166)	512
Income tax expense	9	**(143)**	**(6)**	**(149)**	(167)	67	(100)
Profit for the year		**599**	**11**	**610**	511	(99)	412

	Notes	2016/17	2015/16
Earnings per share	10		
Basic		**27.1p**	17.8p
Diluted		**27.0p**	17.8p
Adjusted basic		**24.4p**	22.0p
Adjusted diluted		**24.3p**	22.0p
Underlying basic		**25.9p**	22.0p
Underlying diluted		**25.8p**	22.0p

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

	2016/17	2015/16
Underlying pre-tax profit	**787**	686
Transformation costs before exceptional items	**(44)**	–
Adjusted pre-tax profit	**743**	686
B&Q China operating loss	**–**	(4)
Financing fair value remeasurements	**(1)**	(4)
Exceptional items	**17**	(166)
Profit before taxation	**759**	512

The proposed final dividend for the year ended 31 January 2017, subject to approval by shareholders at the Annual General Meeting, is 7.15p per share.

Consolidated statement of comprehensive income

Year ended 31 January 2017

£ millions	Notes	2016/17	2015/16
Profit for the year		**610**	412
Actuarial (losses)/gains on post-employment benefits	27	**(50)**	19
Tax on items that will not be reclassified		**11**	(8)
Total items that will not be reclassified subsequently to profit or loss		**(39)**	11
Currency translation differences			
Group		**390**	1
Joint ventures and associates		**(1)**	(3)
Transferred to income statement	33	**–**	(7)
Cash flow hedges			
Fair value gains		**52**	24
Gains transferred to inventories		**(60)**	(50)
Available-for-sale financial assets			
Fair value gains		**5**	2
Transferred to income statement	33	**(7)**	–
Tax on items that may be reclassified		**2**	8
Total items that may be reclassified subsequently to profit or loss		**381**	(25)
Other comprehensive income for the year		**342**	(14)
Total comprehensive income for the year		**952**	398

Consolidated statement of changes in equity

Year ended 31 January 2017

£ millions	Share capital	Share premium	Own shares held	Retained earnings	Other reserves (note 29)	Total	Non-controlling interests	Total equity
	Attributable to equity shareholders of the Company							
At 1 February 2016	**361**	**2,218**	**(24)**	**3,637**	**(6)**	**6,186**	**–**	**6,186**
Profit for the year	**–**	**–**	**–**	**610**	**–**	**610**	**–**	**610**
Other comprehensive income for the year	**–**	**–**	**–**	**(39)**	**381**	**342**	**–**	**342**
Total comprehensive income for the year	**–**	**–**	**–**	**571**	**381**	**952**	**–**	**952**
Share-based compensation	**–**	**–**	**–**	**15**	**–**	**15**	**–**	**15**
New shares issued under share schemes	**–**	**3**	**–**	**–**	**–**	**3**	**–**	**3**
Own shares issued under share schemes	**–**	**–**	**7**	**(6)**	**–**	**1**	**–**	**1**
Purchase of own shares for cancellation (note 28)	**(9)**	**–**	**–**	**(150)**	**9**	**(150)**	**–**	**(150)**
Purchase of own shares for ESOP trust	**–**	**–**	**(6)**	**–**	**–**	**(6)**	**–**	**(6)**
Dividends (note 11)	**–**	**–**	**–**	**(230)**	**–**	**(230)**	**–**	**(230)**
At 31 January 2017	**352**	**2,221**	**(23)**	**3,837**	**384**	**6,771**	**–**	**6,771**
At 1 February 2015	369	2,214	(26)	3,652	11	6,220	10	6,230
Profit for the year	–	–	–	412	–	412	–	412
Other comprehensive income for the year	–	–	–	11	(25)	(14)	–	(14)
Total comprehensive income for the year	–	–	–	423	(25)	398	–	398
Disposal of B&Q China (note 33)	–	–	–	–	–	–	(10)	(10)
Share-based compensation	–	–	–	11	–	11	–	11
New shares issued under share schemes	–	4	–	–	–	4	–	4
Own shares issued under share schemes	–	–	18	(17)	–	1	–	1
Purchase of own shares for cancellation (note 28)	(8)	–	–	(200)	8	(200)	–	(200)
Purchase of own shares for ESOP trust	–	–	(16)	–	–	(16)	–	(16)
Dividends (note 11)	–	–	–	(232)	–	(232)	–	(232)
At 31 January 2016	361	2,218	(24)	3,637	(6)	6,186	–	6,186

Consolidated balance sheet

At 31 January 2017

£ millions	Notes	2016/17	2015/16
Non-current assets			
Goodwill	12	**2,399**	2,397
Other intangible assets	13	**308**	276
Property, plant and equipment	14	**3,589**	3,212
Investment property	15	**24**	25
Investments in joint ventures and associates	16	**23**	23
B&Q China investment	17	**–**	62
Post-employment benefits	27	**239**	246
Deferred tax assets	25	**28**	11
Derivative assets	23	**54**	43
Other receivables	19	**8**	7
		6,672	6,302
Current assets			
Inventories	18	**2,173**	1,957
Trade and other receivables	19	**551**	568
Derivative assets	23	**36**	56
Current tax assets		**6**	5
Short-term deposits	20	**–**	70
Cash and cash equivalents	20	**795**	730
Assets held for sale	34	**–**	6
		3,561	3,392
Total assets		**10,233**	9,694
Current liabilities			
Trade and other payables	21	**(2,495)**	(2,369)
Borrowings	22	**(14)**	(138)
Derivative liabilities	23	**(26)**	(6)
Current tax liabilities		**(141)**	(66)
Provisions	26	**(63)**	(69)
		(2,739)	(2,648)
Non-current liabilities			
Other payables	21	**(50)**	(53)
Borrowings	22	**(184)**	(179)
Deferred tax liabilities	25	**(282)**	(333)
Provisions	26	**(99)**	(208)
Post-employment benefits	27	**(108)**	(87)
		(723)	(860)
Total liabilities		**(3,462)**	(3,508)
Net assets	4	**6,771**	6,186
Equity			
Share capital	28	**352**	361
Share premium		**2,221**	2,218
Own shares held in ESOP trust		**(23)**	(24)
Retained earnings		**3,837**	3,637
Other reserves	29	**384**	(6)
Total equity		**6,771**	6,186

The financial statements were approved by the Board of Directors on 21 March 2017 and signed on its behalf by:

Véronique Laury
Chief Executive Officer

Karen Witts
Chief Financial Officer

Consolidated cash flow statement

At 31 January 2017

£ millions	Notes	2016/17	2015/16
Operating activities			
Cash generated by operations	31	**925**	931
Income tax paid		**(144)**	(118)
Net cash flows from operating activities		**781**	813
Investing activities			
Purchase of property, plant and equipment and intangible assets	4	**(406)**	(333)
Disposal of property, plant and equipment, investment property and property held for sale		**20**	25
Disposal of property company	33	**–**	18
Disposal of B&Q China:	33		
Proceeds (net of costs and cash disposed)		**63**	102
Deposit repaid		**–**	(12)
Decrease/(increase) in short-term deposits		**70**	(22)
Interest received		**5**	3
Dividends received from joint ventures and associates		**–**	5
Net cash flows from investing activities		**(248)**	(214)
Financing activities			
Interest paid		**(10)**	(12)
Interest element of finance lease rental payments		**(2)**	(3)
Repayment of bank loans		**(2)**	(1)
Repayment of fixed term debt		**(47)**	–
Receipt on financing derivatives		**10**	–
Capital element of finance lease rental payments		**(12)**	(13)
New shares issued under share schemes		**3**	4
Own shares issued under share schemes		**1**	1
Purchase of own shares for ESOP trust		**(6)**	(16)
Purchase of own shares for cancellation		**(200)**	(200)
Ordinary dividends paid to equity shareholders of the Company		**(230)**	(232)
Net cash flows from financing activities		**(495)**	(472)
Net increase in cash and cash equivalents and bank overdrafts, including amounts classified as held for sale		**38**	127
Cash and cash equivalents and bank overdrafts, including amounts classified as held for sale, at beginning of year		**654**	527
Exchange differences		**103**	–
Cash and cash equivalents and bank overdrafts at end of year	32	**795**	654

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 1 to 46.

The Company is incorporated in the United Kingdom and is listed on the London Stock Exchange. The address of its registered office is 3 Sheldon Square, Paddington, London W2 6PX. A full list of related undertakings of the Company and their registered offices is given in note 15 of the Company's separate financial statements.

These consolidated financial statements have been approved for issue by the Board of Directors on 21 March 2017.

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 3 of the Company's separate financial statements. The current financial year is the calendar year ended 31 January 2017 ('the year' or '2016/17'). The comparative financial year is the calendar year ended 31 January 2016 ('the prior year' or '2015/16'). 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 2017. Refer to the Strategic Report on page 46.

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

There are no new standards, amendments or interpretations, which are mandatory for the first time for the financial year ended 31 January 2017, that are relevant and material for the Group.

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

– Amendments to IAS 7, 'Statement of Cash Flows' (effective from the Group's 2017/18 financial year);
– IFRS 9, 'Financial Instruments' (effective from the Group's 2018/19 financial year);
– IFRS 15, 'Revenue from Contracts with Customers' (effective from the Group's 2018/19 financial year); and
– IFRS 16, 'Leases' (effective from the Group's 2019/20 financial year).

The amendments to IAS 7, 'Statement of Cash Flows' will require the Group to disclose changes in liabilities associated with financing activities, including movements resulting from both cash flows and non-cash changes.

IFRS 9, 'Financial Instruments' supersedes IAS 39 'Financial Instruments: Recognition and Measurement' and changes some requirements for the measurement and classification of financial instruments, impairment of financial assets and certain elements of hedge accounting. A high level assessment of the standard has been undertaken, and it is not expected that it will have a material effect on the Group financial statements, except for additional required disclosures relating to hedge accounting.

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 it is not expected that the new standard will have a material effect on its financial statements or the amount, timing or nature of revenue recognised by the Group.

IFRS 16 'Leases' supersedes IAS 17 'Leases'. It has not yet 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 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 2017 disclosed under IAS 17, the current leasing standard, was £3.4 billion (see note 35).

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.

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.

2 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Use of non-GAAP measures

In the reporting of financial information, the Group uses certain measures that are not required under IFRS, the generally accepted accounting principles ('GAAP') under which the Group reports. Kingfisher believes that adjusted sales, retail profit, 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, 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, exceptional items and amortisation of acquisition intangibles. It includes the sustainable benefits of the transformation programme. 2015/16 comparatives exclude B&Q China's operating results. Central costs principally comprise the costs of the Group's head office before transformation costs.

The separate reporting of non-recurring exceptional items, which are presented as exceptional within their relevant income statement category, helps provide an indication of the Group's 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 programme 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, amortisation of acquisition intangibles, related tax items and prior year tax items (including the impact of changes in tax rates on deferred tax). 2015/16 comparatives exclude B&Q China's operating results. Financing fair value remeasurements represent changes in the fair value of financing derivatives, excluding interest accruals, offset by fair value adjustments to the carrying amount of borrowings and other hedged items under fair value hedge relationships. Financing derivatives are those that relate to 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 short-term additional costs that arise only as a result of the transformation programme 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 programme.

The effective tax rate is calculated as continuing income tax expense excluding tax on exceptional items and adjustments in respect of prior years and the impact of changes in tax rates on deferred tax, divided by continuing profit before taxation excluding exceptional items.

Net 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

	2016/17		2015/16	
	Average rate	**Year end rate**	Average rate	Year end rate
Euro	**1.21**	**1.16**	1.38	1.31
US Dollar	**1.34**	**1.26**	1.52	1.42
Polish Zloty	**5.28**	**5.03**	5.78	5.78
Russian Rouble	**87.98**	**75.72**	94.54	107.52

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.

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 line in the income statement when the relevant conditions have been fulfilled.

f. Dividends

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

2 PRINCIPAL ACCOUNTING POLICIES CONTINUED

g. Intangible assets

(i) Goodwill

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

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

(ii) Computer software

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

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

Costs associated with identifying, sourcing, evaluating or maintaining computer software are expensed 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 discount rate applied is based upon the Group's weighted average cost of capital with appropriate adjustments for the risks associated with the relevant cash generating unit. Any impairment in value is charged to the income statement in the period in which it occurs.

(iv) Disposal

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

(v) Subsequent costs

Subsequent costs are included in the related asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement in the period in which they are incurred.

i. Leased assets

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

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

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

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

j. Investment property

Investment property is property held by the Group to earn rental income or for capital appreciation. 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 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 schemes is the fair value of scheme assets less the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds which are denominated in the currency in which the benefits will be paid and which have terms to maturity approximating to the terms of the related pension liability.

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

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

(ii) Share-based compensation

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

n. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. 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 other comprehensive income, as appropriate.

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES CONTINUED

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

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

Current and deferred tax are charged or credited to the income statement, except when they relate to items charged or credited 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 in other comprehensive income. On disposal, the accumulated fair value adjustments recognised in other comprehensive income are recycled 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 other comprehensive income 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

Impairment of goodwill and other assets

As required, the Group applies procedures to ensure that its assets are carried at no more than their recoverable amount. The procedures, by their nature, require estimates and assumptions to be made. The most significant are set out below.

The Group is required under IFRS, on at least an annual basis, to test whether goodwill has suffered any impairment. As part of this testing the recoverable amounts of cash generating units have been determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows expected to arise from the continuing operation of the cash generating unit and the choice of suitable discount and long-term growth rates in order to calculate the present value of the forecast cash flows. Actual outcomes could vary significantly from these estimates. Further information on the impairment tests undertaken, including the key assumptions, is given in note 12.

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

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

Inventories

As inventories are carried at the lower of cost and net realisable value, this requires the estimation of the eventual sales price of goods to customers in the future. A high degree of judgement is applied when estimating the impact on the carrying value of inventories of factors such as 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 18 for further information.

During the year, the Group has started unifying its product offer, requiring judgements over the net realisable value of certain ranges being removed from the business.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

Rebates

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

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

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

Judgement is also required over the recoverability of receivables relating to rebates. The amount of rebates due from suppliers at the balance sheet date is disclosed in note 19.

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, 25 and 36 for further information.

Restructuring provisions

The Group carries a number of provisions in relation to historical and ongoing restructuring programmes. The most significant part of the provisions is the cost to exit stores and onerous property contracts. The ultimate costs and timing of cash flows are dependent on exiting the property lease contracts on the closed stores and subletting surplus space. Significant assumptions are used in making these calculations, in particular the nature, timing and value of mitigating the lease costs, including void periods and level of sublease income, and changes in these assumptions and future events could cause the value of these provisions to change. Refer to note 26 for further information.

During the 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.

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 27.

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).

4 SEGMENTAL ANALYSIS

Income statement

£ millions	2016/17				
			Other International		
	UK & Ireland	**France**	**Poland**	**Other**	**Total**
Adjusted sales	**4,979**	**4,254**	**1,191**	**801**	**11,225**
B&Q China sales					**–**
Sales					**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**

£ millions	2015/16				
			Other International		
	UK & Ireland	France	Poland	Other	Total
Adjusted sales	4,853	3,786	987	705	10,331
B&Q China sales					110
Sales					10,441
Retail profit	326	311	113	(4)	746
Central costs					(45)
Share of interest and tax of joint ventures and associates					(5)
B&Q China operating loss					(4)
Exceptional items					(166)
Operating profit					526
Net finance costs					(14)
Profit before taxation					512

Balance sheet

£ 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**

£ millions	2015/16				
			Other International		
	UK & Ireland	France	Poland	Other	Total
Segment assets	1,264	1,313	476	347	3,400
B&Q China investment					62
Central liabilities					(219)
Goodwill					2,397
Net cash					546
Net assets					6,186

4 SEGMENTAL ANALYSIS CONTINUED
Other segmental information

	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**

	2015/16						
			Other International				
	UK & Ireland	France	Poland	Other	B&Q China	Central	Total
Capital expenditure	156	121	31	24	1	–	333
Depreciation and amortisation	131	76	16	16	–	1	240
Impairment losses	24	8	–	23	–	–	55
Non-current assets [1]	3,229	1,899	515	284	–	6	5,933

(1) Non-current assets comprise goodwill, other intangible assets, property, plant and equipment, investment property and investments in joint ventures and associates.

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

The 'Other International' segment consists of Poland, Spain, Portugal, Germany, Russia, Romania and the joint venture Koçtaş in Turkey. Poland has been shown separately due to its significance.

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

5 EXCEPTIONAL ITEMS

£ millions	2016/17	2015/16
Included within selling and distribution expenses		
UK & Ireland and continental Europe restructuring	**21**	(305)
Brico Dépôt Romania impairment	**–**	(3)
	21	(308)
Included within administrative expenses		
Transformation exceptional costs	**(5)**	–
Brico Dépôt Romania impairment	**–**	(15)
	(5)	(15)
Included within other income		
Profit on disposal of B&Q China	**3**	143
Profit on disposal of property and other companies	**–**	13
Profit on disposal of properties	**4**	1
	7	157
Included within net finance costs		
UK & Ireland and continental Europe restructuring	**(6)**	–
	(6)	–
Exceptional items before tax	**17**	(166)
Exceptional tax items	**(6)**	67
Exceptional items	**11**	(99)

Current year exceptional items include a £21m net credit (2015/16: £305m charge) relating to the B&Q store closure programme in the UK and the closure of loss-making stores in France and other countries 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.

The net credit principally arises due to savings on B&Q store exit costs as compared with the original restructuring provisions recognised, and the reversal of a restructuring provision following the announcement that one of the B&Q stores originally earmarked for closure would remain open, offset mainly by store asset impairments relating to the closure of additional loss-making stores in continental Europe.

Transformation exceptional costs of £5m have been recorded in the year relating to the initial costs of setting up the Group's new offer and supply chain organisation.

A profit of £3m was recognised on disposal of the Group's remaining 30% stake in B&Q China – refer to note 33 for further information. In the prior year a profit of £143m was recorded on disposal of the Group's controlling 70% stake.

In the prior year, an exceptional loss of £18m was recorded relating to the impairment of goodwill and certain stores in the Brico Dépôt Romania business.

6 NET FINANCE COSTS

£ millions	**2016/17**	2015/16
Bank overdrafts and bank loans	**(10)**	(8)
Fixed term debt	**(2)**	(3)
Finance leases	**(2)**	(3)
Financing fair value remeasurements	**(1)**	(4)
Unwinding of discount on provisions	**(7)**	(1)
Other interest payable	**(5)**	(3)
Finance costs	**(27)**	(22)
Cash and cash equivalents and short-term deposits	**6**	3
Net interest income on defined benefit pension schemes	**7**	5
Finance income	**13**	8
Net finance costs	**(14)**	(14)

Fixed term debt interest includes net interest income accrued on derivatives of £8m (2015/16: £9m income) and amortisation of issue costs of borrowings of £nil (2015/16: £1m).

Financing fair value remeasurements comprise a net loss on derivatives, excluding accrued interest, of £10m (2015/16: £5m gain), offset by a net gain from fair value adjustments to the carrying value of borrowings and cash of £9m (2015/16: £9m loss).

The £7m charge relating to the unwinding of discount on provisions includes a £6m exceptional 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	2016/17	2015/16
Sales	**11,225**	10,441
Other income	**26**	183
Finance income	**13**	8
Revenue	**11,264**	10,632

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

£ millions	2016/17	2015/16
Operating lease rentals		
Minimum lease payments – Property[1]	**399**	411
Minimum lease payments – Equipment	**32**	29
Sublease income	**(1)**	(6)
	430	434
Rental income received on investment property	**(2)**	(4)
Amortisation of intangible assets[2]	**58**	49
Depreciation of property, plant and equipment and investment property:		
Owned assets	**187**	180
Held under finance leases	**8**	11
Impairment of goodwill	**–**	15
Impairment of intangible assets	**4**	3
Impairment of property, plant and equipment and investment property	**10**	37
(Gain)/loss on disposal:		
Land and buildings, investment property and property held for sale	**(4)**	(1)
Fixtures, fittings and equipment	**8**	4
Write down to net realisable value of inventories	**37**	38
Write down to recoverable value of trade and other receivables	**4**	4

(1) Excludes rentals provided against as part of exceptional restructuring provision (see note 26).

(2) Of the amortisation of intangible assets charge, £1m (2015/16: £1m) and £57m (2015/16: £48m) are included in selling and distribution expenses and administrative expenses respectively.

Auditor's remuneration

£ millions	2016/17	2015/16
Fees payable for the audit of the Company and consolidated financial statements	**0.4**	0.3
Fees payable to the Company's auditor and their associates for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation	**1.2**	1.1
Audit fees	**1.6**	1.4
Audit-related assurance services	**0.1**	0.1
Other assurance services	**0.2**	0.1
Non-audit fees	**0.3**	0.2
Auditor's remuneration	**1.9**	1.6

Details of the Group's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity were safeguarded are set out in the Audit Committee Report on page 62. No services were provided pursuant to contingent fee arrangements.

8 EMPLOYEES AND DIRECTORS

£ millions	2016/17	2015/16
Wages and salaries	**1,342**	1,227
Social security costs	**259**	228
Post-employment benefits:		
Defined contribution	**23**	25
Defined benefit (service cost)	**9**	8
Share-based compensation	**15**	11
Employee benefit expenses	**1,648**	1,499

Number thousands	2016/17	2015/16
Stores	**71**	71
Administration	**6**	5
Average number of persons employed	**77**	76

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

Remuneration of key management personnel

£ millions	2016/17	2015/16
Short-term employee benefits	**6.7**	9.4
Post-employment benefits	**0.4**	0.4
Termination benefits	**1.2**	0.8
Share-based compensation	**5.0**	2.5
	13.3	13.1

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 66 to 88. Other than as set out in the Directors' Remuneration Report, there have been no transactions with key management during the year (2015/16: £nil).

9 INCOME TAX EXPENSE

£ millions	2016/17	2015/16
UK corporation tax		
Current tax on profits for the year	**(66)**	(7)
Adjustments in respect of prior years	**10**	4
	(56)	(3)
Overseas tax		
Current tax on profits for the year	**(155)**	(117)
Adjustments in respect of prior years	**(11)**	7
	(166)	(110)
Deferred tax		
Current year	**22**	14
Adjustments in respect of prior years	**16**	–
Adjustments in respect of changes in tax rates	**35**	(1)
	73	13
Income tax expense	**(149)**	(100)

9 INCOME TAX EXPENSE CONTINUED

Factors affecting tax charge for the year

The tax charge for the year differs from the standard rate of corporation tax in the UK of 20% (2015/16: 20%). The differences are explained below:

£ millions	2016/17	2015/16
Profit before taxation	**759**	512
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2015/16: 20%)	**(152)**	(102)
Share of post-tax results of joint ventures and associates	**–**	1
Net (expense)/income not (deductible)/chargeable for tax purposes	**(5)**	26
Deferred tax assets utilised not previously recognised	**–**	8
Temporary differences:		
Net gains on property	**–**	1
Losses not recognised	**(2)**	(6)
Foreign tax rate differences	**(40)**	(38)
Adjustments in respect of prior years	**15**	11
Adjustments in respect of changes in tax rates	**35**	(1)
Income tax expense	**(149)**	(100)

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 26% (2015/16: 26%). Exceptional tax items for the year amount to a charge of £6m, of which a £1m credit relates to prior year items. In 2015/16 exceptional tax items amounted to a credit of £67m, of which a £1m credit was relating to prior year items.

The effective tax rate calculation is presented in the Financial Review on page 34. The overall tax rate for the year is 20% (2015/16: 20%). This predominately reflects enacted rate reductions in both the UK and France, due to have full effect in 2020/21, which have resulted in deferred tax credits in the year, as well as the release of prior year provisions which have either been agreed with tax authorities, reassessed, or time expired.

In addition to the amounts charged to the income statement, tax of £13m has been credited directly to other comprehensive income (2015/16: £nil), of which a £5m credit (2015/16: £18m credit) is included in current tax and a £8m credit (2015/16: £18m charge) is included in deferred tax and principally relates to post-employment benefits.

Future changes in tax rates

The UK corporation tax rate reduced in the prior year from 21% to 20% with effect from 1 April 2015, and has been legislated to fall to 19% from 1 April 2017 and then again to 17% from 1 April 2020. The Spanish tax rate reduced from 30% to 28% from 1 January 2015, and fell again from 28% to 25% from 1 January 2016. The surcharge in France that had previously increased the applicable rate to 38% was not renewed in the 2016 Finance Bill. From 1 January 2016, the applicable rate in France is 34.43%. New legislation enacted in the year will reduce the applicable rate in France to 28.92%. This reduction in rate will be progressively introduced from 2017, and will be substantively applicable to Kingfisher Group companies from 1 January 2020.

10 EARNINGS PER SHARE

	2016/17			2015/16		
	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	**610**	**2,256**	**27.1**	412	2,311	17.8
Effect of dilutive share options	**–**	**7**	**(0.1)**	–	8	–
Diluted earnings per share	**610**	**2,263**	**27.0**	412	2,319	17.8
Basic earnings per share	**610**	**2,256**	**27.1**	412	2,311	17.8
B&Q China operating loss	**–**		**–**	4		0.2
Exceptional items before tax	**(17)**		**(0.8)**	166		7.2
Tax on exceptional and prior year items	**(43)**		**(2.0)**	(76)		(3.3)
Financing fair value remeasurements	**1**		**0.1**	4		0.2
Tax on financing fair value remeasurements	**–**		**–**	(1)		(0.1)
Adjusted basic earnings per share	**551**	**2,256**	**24.4**	509	2,311	22.0
Transformation costs before exceptional items	**44**		**2.0**	–		–
Tax on transformation costs before exceptional items	**(11)**		**(0.5)**	–		–
Underlying basic earnings per share	**584**	**2,256**	**25.9**	509	2,311	22.0
Diluted earnings per share	**610**	**2,263**	**27.0**	412	2,319	17.8
B&Q China operating loss	**–**		**–**	4		0.2
Exceptional items before tax	**(17)**		**(0.8)**	166		7.2
Tax on exceptional and prior year items	**(43)**		**(2.0)**	(76)		(3.3)
Financing fair value remeasurements	**1**		**0.1**	4		0.2
Tax on financing fair value remeasurements	**–**		**–**	(1)		(0.1)
Adjusted diluted earnings per share	**551**	**2,263**	**24.3**	509	2,319	22.0
Transformation costs before exceptional items	**44**		**2.0**	–		–
Tax on transformation costs before exceptional items	**(11)**		**(0.5)**	–		–
Underlying diluted earnings per share	**584**	**2,263**	**25.8**	509	2,319	22.0

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	**2016/17**	2015/16
Dividends paid to equity shareholders of the Company		
Interim dividend for the year ended 31 January 2017 of 3.25p per share (31 January 2016: 3.18p per share)	**73**	72
Final dividend for the year ended 31 January 2016 of 6.92p per share (31 January 2015: 6.85p per share)	**157**	160
	230	232

The proposed final dividend for the year ended 31 January 2017 of 7.15p per share is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

12 GOODWILL

£ millions	
Cost	
At 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**
Cost	
At 1 February 2015	2,414
Disposals	(2)
At 31 January 2016	2,412
Impairment	
At 1 February 2015	–
Charge for the year	(15)
At 31 January 2016	(15)
Net carrying amount	
At 31 January 2016	2,397

In the prior year, an impairment loss of £15m was recognised relating to all the goodwill in the Brico Dépôt Romania business, which forms part of the 'Other International' reporting segment.

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 2017					
Cost	**1,796**	**522**	**81**	**15**	**2,414**
Impairment	**–**	**–**	**–**	**(15)**	**(15)**
Net carrying amount	**1,796**	**522**	**81**	**–**	**2,399**
At 31 January 2016					
Cost	1,796	520	81	15	2,412
Impairment	–	–	–	(15)	(15)
Net carrying amount	1,796	520	81	–	2,397

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

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

Assumptions

The cash flow projections are based on approved strategic plans covering a four-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.

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 programme. 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 four-year period are calculated using a growth rate which does not exceed the long-term average growth rate for retail businesses operating in the same countries as the CGUs.

The Board has reviewed a sensitivity analysis, including elimination of the projected benefits of the transformation plan, and does not consider that a reasonably possible change in the assumptions used in the value-in-use calculations would cause the carrying amounts of the CGUs to exceed their recoverable amounts.

The weighted average cost of capital, used to discount future cash flows, is calculated using a combination of the cost of debt, leases and equity, weighted according to an estimate of the CGU's capital gearing. A risk adjustment is also made for the country in which the CGU operates.

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

	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**

	2015/16		
Annual % rate	UK	France	Poland
Discount rate	8.4	8.2	8.6
Long-term growth rate	2.9	2.3	3.1

13 OTHER INTANGIBLE ASSETS

£ millions	Computer software	Other	Total
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**
Cost			
At 1 February 2015	542	12	554
Additions	71	–	71
Disposals	(1)	–	(1)
Disposal of subsidiaries	(2)	–	(2)
At 31 January 2016	610	12	622
Amortisation			
At 1 February 2015	(290)	(6)	(296)
Charge for the year	(48)	(1)	(49)
Impairment losses	(3)	–	(3)
Disposals	1	–	1
Disposal of subsidiaries	1	–	1
At 31 January 2016	(339)	(7)	(346)
Net carrying amount			
At 31 January 2016	271	5	276

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 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**
Cost			
At 1 February 2015	2,787	2,476	5,263
Additions	86	174	260
Disposals	(13)	(42)	(55)
Transfers to assets held for sale	(6)	–	(6)
Transfers to investment property	(17)	–	(17)
Exchange differences	4	9	13
At 31 January 2016	2,841	2,617	5,458
Depreciation			
At 1 February 2015	(380)	(1,680)	(2,060)
Charge for the year	(42)	(149)	(191)
Impairment losses	(17)	(19)	(36)
Disposals	10	38	48
Exchange differences	(1)	(6)	(7)
At 31 January 2016	(430)	(1,816)	(2,246)
Net carrying amount			
At 31 January 2016	2,411	801	3,212
Assets in the course of construction included above at net carrying amount			
At 31 January 2017	**26**	**52**	**78**
At 31 January 2016	34	29	63
Assets held under finance leases included above at net carrying amount			
At 31 January 2017	**14**	**27**	**41**
At 31 January 2016	14	24	38

Impairment losses of £10m were recorded in the year (2015/16: £36m) of which £8m (2015/16: £36m) 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 (2015/16: £27m).

Land and buildings are analysed as follows:

	2016/17				2015/16
£ millions	Freehold	Long leasehold	Short leasehold	Total	Total
Cost	**2,625**	**148**	**410**	**3,183**	2,841
Depreciation	**(211)**	**(30)**	**(247)**	**(488)**	(430)
Net carrying amount	**2,414**	**118**	**163**	**2,695**	2,411

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 2017 is £127m (2015/16: £135m).

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 £3.4bn (2015/16: £2.9bn) 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 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**
Cost	
At 1 February 2015	41
Transfers from property, plant and equipment	17
Disposals	(21)
At 31 January 2016	37
Depreciation	
At 1 February 2015	(11)
Impairment losses	(1)
At 31 January 2016	(12)
Net carrying amount	
At 31 January 2016	25

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 £36m (2015/16: £37m). 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 2016	**23**
Share of post-tax results	**1**
Exchange differences	**(1)**
At 31 January 2017	**23**

At 1 February 2015	28
Share of post-tax results	3
Dividends	(5)
Exchange differences	(3)
At 31 January 2016	23

No goodwill is included in the carrying amount of investments in joint ventures and associates (2015/16: £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:

	2016/17			2015/16		
£ millions	**Joint ventures**	**Associates**	**Total**	Joint ventures	Associates	Total
Non-current assets	**19**	**2**	**21**	20	2	22
Current assets	**40**	**59**	**99**	51	63	114
Current liabilities	**(39)**	**(47)**	**(86)**	(40)	(53)	(93)
Non-current liabilities	**(11)**	**–**	**(11)**	(20)	–	(20)
Share of net assets	**9**	**14**	**23**	11	12	23
Sales	**159**	**10**	**169**	150	11	161
Operating expenses	**(154)**	**(9)**	**(163)**	(143)	(10)	(153)
Operating profit	**5**	**1**	**6**	7	1	8
Net finance costs	**(5)**	**–**	**(5)**	(4)	–	(4)
Profit before taxation	**–**	**1**	**1**	3	1	4
Income tax expense	**–**	**–**	**–**	(1)	–	(1)
Share of post-tax results	**–**	**1**	**1**	2	1	3

17 AVAILABLE-FOR-SALE FINANCIAL ASSETS

£ millions	**2016/17**	2015/16
B&Q China investment	**–**	62

The Group held a 30% interest in B&Q China, which was held at fair value. The Group disposed of the investment during the year, recognising a profit on disposal of £3m – see note 33 for further details.

18 INVENTORIES

£ millions	2016/17	2015/16
Finished goods for resale	**2,173**	1,957

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 2017 is £6,449m (2015/16: £5,986m).

19 TRADE AND OTHER RECEIVABLES

£ millions	2016/17	2015/16
Non-current		
Prepayments	**7**	5
Property receivables	**1**	1
Other receivables	**–**	1
	8	7
Current		
Trade receivables	**65**	65
Provision for bad and doubtful debts	**(5)**	(7)
Net trade receivables	**60**	58
Property receivables	**3**	2
Prepayments	**131**	124
Rebates due from suppliers	**287**	313
Other receivables	**70**	71
	551	568
Trade and other receivables	**559**	575

The fair values of trade and other receivables approximate to their carrying amounts. Refer to note 24 for information on the credit risk associated with trade and other receivables.

20 CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

£ millions	2016/17	2015/16
Cash at bank and in hand	**209**	220
Other cash and cash equivalents	**586**	510
Cash and cash equivalents	**795**	730

Other cash and cash equivalents comprise bank deposits and investments in money market funds, fixed for periods of up to three months. The fair values of cash and cash equivalents approximate to their carrying amounts.

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

£ millions	2016/17	2015/16
Short-term deposits	**–**	70

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

21 TRADE AND OTHER PAYABLES

£ millions	2016/17	2015/16
Current		
Trade payables	**1,431**	1,339
Other taxation and social security	**232**	244
Deferred income	**138**	122
Contract to purchase own shares	**–**	50
Accruals and other payables	**694**	614
	2,495	2,369
Non-current		
Accruals and other payables	**50**	53
Trade and other payables	**2,545**	2,422

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.

The contract to purchase own shares in the prior year related to a liability arising under an irrevocable closed season buyback agreement for the purchase of the Company's own shares.

22 BORROWINGS

£ millions	2016/17	2015/16
Current		
Bank overdrafts	**–**	76
Bank loans	**3**	2
Fixed term debt	**–**	48
Finance leases	**11**	12
	14	138
Non-current		
Bank loans	**6**	8
Fixed term debt	**147**	137
Finance leases	**31**	34
	184	179
Borrowings	**198**	317

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 two years (2015/16: three years) and are arranged at fixed rates of interest with an effective interest rate of 1.1% (2015/16: 1.6%).

22 BORROWINGS CONTINUED

	2016/17					2015/16
	Principal outstanding	Maturity date	Coupon	Effective interest rate	Carrying amount £m	Carrying amount £m
US Dollar Private Placement	**$68m**	**24/05/16** [1]	**6.3%**	**6.3%**	**–**	48
US Dollar Private Placement	**$179m**	**24/05/18** [1]	**6.4%**	**6.4%**	**147**	137
					147	185

(1) $247m swapped to floating rate Sterling based on 6-month LIBOR plus a margin using a cross-currency interest rate swap of which $68m matured in May 2016.

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. At 31 January 2017, the cumulative effect of interest rate fair value adjustments is to increase the Group's USPP carrying amounts by £6m (2015/16: £12m increase).

The USPP contains a covenant requiring that, as at the end of each semi-annual and annual financial reporting period, the ratio of operating profit to net interest payable, excluding exceptional items, should not be less than 3 to 1 for the preceding 12-month period. The Group has complied with this covenant for the year ended 31 January 2017.

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 (2015/16: six years) and for fixtures and equipment is two years (2015/16: 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:

	2016/17		2015/16	
£ millions	Present value of payments	Minimum payments	Present value of payments	Minimum payments
Less than one year	**11**	**12**	12	14
One to five years	**22**	**27**	21	26
More than five years	**9**	**13**	13	17
Total	**42**	**52**	46	57
Less amounts representing finance charges		**(10)**		(11)
Present value of minimum lease payments		**42**		46

The interest rates inherent in the finance leases are fixed at the contract date for the lease term. The weighted average effective interest rate on the Group's finance leases is 8.2% (2015/16: 8.6%).

	Fair value	
£ millions	2016/17	2015/16
Bank overdrafts	**–**	76
Bank loans	**9**	11
Fixed term debt	**153**	192
Finance leases	**49**	56
Borrowings	**211**	335

Fair values of borrowings have been calculated by discounting cash flows at prevailing interest and foreign exchange rates. This has resulted in level 2 inputs as defined by the fair value hierarchy of IFRS 13, 'Fair Value Measurement'.

23 DERIVATIVES

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

£ millions	2016/17	2015/16
Fair value hedges	**54**	56
Cash flow hedges	**20**	27
Non-designated hedges	**(10)**	10
	64	93
Non-current assets	**54**	43
Current assets	**36**	56
Current liabilities	**(26)**	(6)
	64	93

The Group holds the following derivative financial instruments at fair value:

£ millions	2016/17	2015/16
Cross currency interest rate swaps	**55**	56
Foreign exchange contracts	**35**	43
Derivative assets	**90**	99

£ millions	2016/17	2015/16
Foreign exchange contracts	**(26)**	(6)
Derivative liabilities	**(26)**	(6)

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 2017, net derivative assets included in net cash amount to £44m (2015/16: £63m net derivative assets).

Fair value hedges

Fair value hedges comprise cross currency interest rate swap contracts that convert US Private Placement fixed rate debt into floating rate liabilities.
At 31 January 2017, the Sterling equivalent amount of such contracts is £142m (2015/16: £174m).

Cash flow hedges

Forward foreign exchange contracts hedge currency exposures of forecast inventory purchases. At 31 January 2017, the Sterling equivalent amount of such contracts is £774m (2015/16: £504m). The associated fair value gains and losses will be transferred to inventories when the purchases occur during the next 12 months. Gains of £60m (2015/16: gains of £50m) 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 2017, the Sterling equivalent amount of such contracts is £679m (2015/16: £504m). These have not been accounted for as hedges, since the fair value movements of the derivatives in the income statement offset the retranslation of the balance sheet positions. These include short-term foreign exchange contracts.

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

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

23 DERIVATIVES CONTINUED

Offsetting of derivative assets and liabilities:

£ millions	Gross amounts of recognised derivatives	Gross amounts offset in the consolidated balance sheet	Net amounts of derivatives presented in the consolidated balance sheet	Gross amounts of derivatives not offset in the consolidated balance sheet	Net amount
At 31 January 2017					
Derivative assets	**90**	**–**	**90**	**(26)**	**64**
Derivative liabilities	**(26)**	**–**	**(26)**	**26**	**–**
At 31 January 2016					
Derivative assets	99	–	99	(6)	93
Derivative liabilities	(6)	–	(6)	6	–

24 FINANCIAL RISK MANAGEMENT

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

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

Interest rate risk

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

Currency risk

The Group's principal currency exposures are to the Euro, US Dollar, Polish Zloty and Russian Rouble. The Euro, Polish Zloty and Russian Rouble exposures are operational and arise through the ownership of retail businesses in France, Spain, Portugal, Germany, Ireland, Poland and Russia.

In particular, the Group generates a substantial part of its profit from the Eurozone, and as such is exposed to the economic uncertainty of its member states. The Group continues to monitor potential exposures and risks, and consider effective risk management solutions.

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

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

	Sterling		Euro		US Dollar		Other		
£ millions	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Total
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**
At 31 January 2016									
Net cash before fair value adjustments and financing derivatives	(32)	188	(23)	26	(174)	461	–	49	495
Fair value adjustments to net cash	–	–	–	–	(12)	–	–	–	(12)
Financing derivatives	–	(437)	–	259	187	5	–	49	63
Net cash	(32)	(249)	(23)	285	1	466	–	98	546

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	2016/17 Net finance costs Income/ (costs)	2015/16 Net finance costs Income/ (costs)
Effect of 1% rise in interest rates on net finance costs		
Sterling	**(5)**	(2)
Euro	**6**	3
US Dollar	**5**	5
Other	**1**	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	2016/17 Derivative cash flow hedges Increase	2015/16 Derivative cash flow hedges Increase
Effect of 10% appreciation in foreign exchange rates on derivative cash flow hedges		
US Dollar against Sterling	**43**	33
US Dollar against Euro	**21**	24
US Dollar against other	**8**	5

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 other comprehensive income until the purchases occur. See note 23 for further details.

The sensitivity analysis excludes the impact of movements in market variables on the carrying amount of trade and other payables and receivables, due to the low associated sensitivity, and are before the effect of tax. It has been prepared on the basis that the Group's debt, hedging activities, hedge accounting designations, and foreign currency proportion of debt and derivative contracts remain constant, reflecting the positions at 31 January 2017 and 31 January 2016 respectively. As a consequence, the analysis relates to the position at those dates and is not necessarily representative of the years then ended. In preparing the sensitivity analysis it is assumed that all hedges are fully effective.

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

24 FINANCIAL RISK MANAGEMENT CONTINUED

Liquidity risk

The Group regularly reviews the level of cash and debt facilities required to fund its activities. This involves preparing a prudent cash flow forecast for the next four 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 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 2016							
Bank overdrafts	(76)	–	–	–	–	–	(76)
Bank loans	(3)	(3)	(1)	(2)	(1)	–	(10)
Fixed term debt	(57)	(8)	(130)	–	–	–	(195)
Finance leases	(14)	(9)	(7)	(5)	(5)	(17)	(57)
Derivatives – receipts	57	8	130	–	–	–	195
Derivatives – payments	(38)	(1)	(98)	–	–	–	(137)

At 31 January 2017, the Group had undrawn revolving committed facilities of £225m due to mature in March 2021 and £400m due to mature in November 2018. 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 2017.

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 of deposits and the fair value of derivative contracts. The credit risk is reduced further by spreading the investments and derivative contracts across several counterparties. At 31 January 2017, the highest total cash investment with a single counterparty was £63m (2015/16: £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 2017, trade and other receivables that are past due but not provided against amount to £62m (2015/16: £62m), of which £3m (2015/16: £1m) are over 120 days past due.

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

Capital risk

Capital risk management disclosures are provided in the Financial Review on page 36.

25 DEFERRED TAX

£ millions	2016/17	2015/16
Deferred tax assets	**28**	11
Deferred tax liabilities	**(282)**	(333)
	(254)	(322)

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 2016 (restated)	**(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 1 February 2015 (as reported)	(144)	(91)	28	4	(101)	(10)	(314)
Reclassifications	15	(24)	15	–	–	(6)	–
At 1 February 2015 (restated)	(129)	(115)	43	4	(101)	(16)	(314)
(Charge)/credit to income statement	(6)	4	8	5	2	–	13
(Charge)/credit to other comprehensive income	–	–	(10)	–	(17)	9	(18)
Exchange differences	(1)	(3)	–	–	–	1	(3)
At 31 January 2016 (restated)	(136)	(114)	41	9	(116)	(6)	(322)

At the balance sheet date, the Group has unused trading tax losses of £135m (2015/16: £103m) available for offset against future profits. A deferred tax asset has been recognised in respect of £81m (2015/16: £45m) of such losses. No deferred tax asset has been recognised in respect of the remaining £54m (2015/16: £58m) due to the unpredictability of future profit streams in the relevant entities. Included in unrecognised tax losses are losses arising in Portugal of £7m (2015/16: £5m) which can be carried forward only in the next one to twelve years. Other unrecognised losses may be carried forward indefinitely.

At the balance sheet date, the Group also has unused capital tax losses of £96m (2015/16: £96m) available for offset against future capital gains.

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 £179m (2015/16: £3,630m). The total temporary difference has decreased significantly in the year largely as a result of changes introduced by the French government that means a surtax of 3% on 100% of gross dividend distributions paid by French entities is no longer expected to apply to Group companies.

An amendment has been made to the prior year categorisation to reflect the nature of the deferred tax balances more appropriately.

26 PROVISIONS

£ millions	Onerous property contracts	Restructuring	Total
At 1 February 2016	**21**	**256**	**277**
Release to income statement	**–**	**(37)**	**(37)**
Utilised in the year	**(3)**	**(85)**	**(88)**
Unwinding of discount and change in discount rate	**1**	**6**	**7**
Exchange differences	**1**	**2**	**3**
At 31 January 2017	**20**	**142**	**162**
Current liabilities	**2**	**61**	**63**
Non-current liabilities	**18**	**81**	**99**
	20	**142**	**162**

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

Restructuring provisions include the estimated costs of the UK and continental Europe restructuring programmes as detailed further in note 5, the vast majority of which relates to future idle property costs, in addition to some employee redundancy costs. During the year, 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. A release of £37m was recorded in the year reflecting primarily savings on B&Q store exit costs as compared with the original provisions recognised, and the reversal of a provision following the announcement that one of the B&Q stores originally earmarked for closure would remain open.

26 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 nine years. The provisions have been discounted to reflect the time value of money and the risks associated with the specific liabilities.

The ultimate costs and timing of cash flows related to the above provisions are largely dependent on exiting the property lease contracts and subletting surplus space.

27 POST-EMPLOYMENT BENEFITS

The Group operates a variety of post-employment benefit arrangements covering both funded and unfunded defined benefit schemes and defined contribution schemes. The most significant defined benefit and defined contribution schemes are in the UK. The principal overseas defined benefit schemes are in France, where they are mainly retirement indemnity in nature.

Defined contribution schemes

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

£ millions	**2016/17**	2015/16
Charge to operating profit	**23**	25

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 a medically underwritten annuity policy.

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 review with the scheme Trustee at future valuations the continued appropriateness of the repayment schedule currently in place.

The Trust Deed provides Kingfisher with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business the Trustee has no rights to unilaterally wind up, or otherwise augment the benefits due to members of, the scheme. Based on these rights, any net surplus in the UK scheme is recognised in full.

UK scheme interest in property partnership

In 2010/11, the Group established a partnership, Kingfisher Scottish Limited Partnership ('Kingfisher SLP'), as part of an arrangement with the UK scheme Trustee to address an element of the scheme deficit and provide greater security to the Trustee. The partnership interests are held by the Group and by the scheme, the latter resulting from investments of £78m and £106m made by the Trustee in January and June 2011 respectively. These investments followed Group contributions of the same amounts into the scheme. In accordance with IAS 19, 'Employee Benefits', the investments held by the scheme in Kingfisher SLP do not represent plan assets for the purposes of the Group's consolidated financial statements. Accordingly, the reported pension position does not reflect these investments.

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

The Group has control over the partnership and therefore it is consolidated in these Group financial statements. Accordingly, advantage has been taken of the exemptions provided by Regulation 7 of the Partnerships (Accounts) Regulations 2008 from the requirements for preparation, delivery and publication of the partnership's accounts.

Income statement

£ millions	2016/17 UK	2016/17 Overseas	2016/17 Total	2015/16 UK	2015/16 Overseas	2015/16 Total
Amounts charged to operating profit						
Current service cost	**2**	**7**	**9**	2	6	8
Administration costs	**4**	**–**	**4**	4	–	4
	6	**7**	**13**	6	6	12
Amounts (credited)/charged to net finance costs						
Net interest (income)/expense	**(9)**	**2**	**(7)**	(6)	1	(5)
Total (credited)/charged to income statement	**(3)**	**9**	**6**	–	7	7

Of the net charge to operating profit, a £9m charge (2015/16: £9m charge) and £4m charge (2015/16: £3m charge) are included in selling and distribution expenses and administrative expenses respectively. Actuarial gains and losses have been reported in the statement of comprehensive income.

Balance sheet

£ millions	2016/17 UK	2016/17 Overseas	2016/17 Total	2015/16 UK	2015/16 Overseas	2015/16 Total
Present value of defined benefit obligations	**(2,999)**	**(126)**	**(3,125)**	(2,374)	(102)	(2,476)
Fair value of scheme assets	**3,238**	**18**	**3,256**	2,620	15	2,635
Net surplus/(deficit) in schemes	**239**	**(108)**	**131**	246	(87)	159

Movements in the surplus or deficit are as follows:

£ millions	2016/17 UK	2016/17 Overseas	2016/17 Total	2015/16 UK	2015/16 Overseas	2015/16 Total
Net surplus/(deficit) in schemes at beginning of year	**246**	**(87)**	**159**	194	(82)	112
Current service cost	**(2)**	**(7)**	**(9)**	(2)	(6)	(8)
Administration costs	**(4)**	**–**	**(4)**	(4)	–	(4)
Net interest income/(expense)	**9**	**(2)**	**7**	6	(1)	5
Net actuarial (losses)/gains	**(46)**	**(4)**	**(50)**	16	3	19
Contributions paid by employer	**36**	**2**	**38**	36	1	37
Exchange differences	**–**	**(10)**	**(10)**	–	(2)	(2)
Net surplus/(deficit) in schemes at end of year	**239**	**(108)**	**131**	246	(87)	159

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

£ millions	2016/17 UK	2016/17 Overseas	2016/17 Total	2015/16 UK	2015/16 Overseas	2015/16 Total
Present value of defined benefit obligations at beginning of year	**(2,374)**	**(102)**	**(2,476)**	(2,606)	(97)	(2,703)
Current service cost	**(2)**	**(7)**	**(9)**	(2)	(6)	(8)
Interest expense	**(84)**	**(2)**	**(86)**	(77)	(1)	(78)
Actuarial (losses)/gains – changes in financial assumptions	**(637)**	**(3)**	**(640)**	200	1	201
Actuarial losses – changes in demographic assumptions	**(57)**	**–**	**(57)**	–	–	–
Actuarial gains/(losses) – experience adjustments	**60**	**(1)**	**59**	33	2	35
Benefits paid	**95**	**1**	**96**	78	1	79
Exchange differences	**–**	**(12)**	**(12)**	–	(2)	(2)
Present value of defined benefit obligations at end of year	**(2,999)**	**(126)**	**(3,125)**	(2,374)	(102)	(2,476)

27 POST-EMPLOYMENT BENEFITS CONTINUED

The present value of UK scheme defined benefit obligations is 66% (2015/16: 62%) in respect of deferred members and 34% (2015/16: 38%) in respect of current pensioners.

The weighted average duration of the UK scheme obligations at the end of the year is 19 years (2015/16: 20 years).

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

	2016/17			2015/16		
£ millions	UK	Overseas	Total	UK	Overseas	Total
Fair value of scheme assets at beginning of year	**2,620**	**15**	**2,635**	2,800	15	2,815
Administration costs	**(4)**	**–**	**(4)**	(4)	–	(4)
Interest income	**93**	**–**	**93**	83	–	83
Actuarial gains/(losses) – actual return less interest income	**588**	**–**	**588**	(217)	–	(217)
Contributions paid by employer	**36**	**2**	**38**	36	1	37
Benefits paid	**(95)**	**(1)**	**(96)**	(78)	(1)	(79)
Exchange differences	**–**	**2**	**2**	–	–	–
Fair value of scheme assets at end of year	**3,238**	**18**	**3,256**	2,620	15	2,635

The fair value of scheme assets is analysed as follows:

	2016/17				2015/16			
£ millions	UK	Overseas	Total	% of total	UK	Overseas	Total	% of total
Government bonds [1]	**1,616**	**–**	**1,616**	**49%**	1,155	–	1,155	44%
Corporate bonds	**849**	**–**	**849**	**26%**	779	–	779	30%
Derivatives	**(94)**	**–**	**(94)**	**(3%)**	(129)	–	(129)	(5%)
UK equities	**61**	**–**	**61**	**2%**	57	–	57	2%
Overseas equities	**281**	**–**	**281**	**9%**	295	–	295	11%
Property	**28**	**–**	**28**	**1%**	25	–	25	1%
Annuity	**217**	**–**	**217**	**7%**	180	–	180	7%
Cash and other	**280**	**18**	**298**	**9%**	258	15	273	10%
Total fair value of scheme assets	**3,238**	**18**	**3,256**	**100%**	2,620	15	2,635	100%

(1) Including LDI repurchase agreement liabilities.

All UK scheme assets have quoted prices in active markets, except for £397m (2015/16: £331m) of property, annuity and other assets.

On 11 December 2015, the scheme entered into a medically underwritten annuity policy with a major insurance company for certain pensioner liabilities, thereby removing the longevity risk associated with these members.

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 £3.0bn (2015/16: £2.8bn) and associated repurchase agreement liabilities of £1.4bn (2015/16: £1.6bn). 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.

	2016/17		2015/16	
Annual % rate	UK	Overseas	UK	Overseas
Discount rate	**2.7**	**1.5**	3.6	1.8
Price inflation	**3.6**	**2.0**	3.1	2.0
Rate of pension increases	**3.3**	**–**	2.9	–
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 in connection with 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	2016/17	2015/16
Age to which current pensioners are expected to live (60 now)		
– Male	**87.1**	86.8
– Female	**88.8**	87.4
Age to which future pensioners are expected to live (60 in 15 years' time)		
– Male	**88.3**	87.5
– Female	**90.7**	88.6

The following sensitivity analysis for the UK scheme shows the estimated impact on the obligation resulting from changes to key actuarial assumptions, whilst holding all other assumptions constant.

Assumption	Change in assumption	Impact on defined benefit obligation
Discount rate	Increase/decrease by 0.1%	Decrease/increase by £57m
Price inflation	Increase/decrease by 0.1%	Increase/decrease by £46m
Rate of pension increases	Increase/decrease by 0.1%	Increase/decrease by £48m
Mortality	Increase in life expectancy by one year	Increase by £96m

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

28 SHARE CAPITAL

	Number of ordinary shares millions	Ordinary share capital £ millions
At 1 February 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**
At 1 February 2015	2,350	369
New shares issued under share schemes	2	–
Purchase of own shares for cancellation	(56)	(8)
At 31 January 2016	2,296	361

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

During the year the Group purchased 58 million (2015/16: 56 million) of the Company's own shares for cancellation at a cost of £200m (2015/16: £200m) as part of its capital returns programme. Of this £200m, £50m was deducted from equity in the previous financial year as a result of an irrevocable closed season buyback agreement which was in place as at 31 January 2016 – see note 21.

29 OTHER RESERVES

£ millions	Translation reserve	Cash flow hedge reserve	Available-for-sale reserve	Other	Total
At 1 February 2016	**(205)**	**25**	**2**	**172**	**(6)**
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 for the year	**389**	**(6)**	**(2)**	**–**	**381**
Purchase of own shares for cancellation	**–**	**–**	**–**	**9**	**9**
At 31 January 2017	**184**	**19**	**–**	**181**	**384**
At 1 February 2015	(194)	41	–	164	11
Currency translation differences					
Group	1	–	–	–	1
Joint ventures and associates	(3)	–	–	–	(3)
Transferred to income statement	(7)	–	–	–	(7)
Cash flow hedges					
Fair value gains	–	24	–	–	24
Gains transferred to inventories	–	(50)	–	–	(50)
Available-for-sale financial assets					
Fair value gains	–	–	2	–	2
Tax on items that may be reclassified	(2)	10	–	–	8
Other comprehensive income for the year	(11)	(16)	2	–	(25)
Purchase of own shares for cancellation	–	–	–	8	8
At 31 January 2016	(205)	25	2	172	(6)

The 'other' category of reserves represents the premium on the issue of convertible loan stock in 1993, the merger reserve relating to the acquisition of Darty in 1993 and the capital redemption reserve.

30 SHARE-BASED PAYMENTS

	2016/17		2015/16	
	Number of options thousands	**Weighted average exercise price £**	Number of options thousands	Weighted average exercise price £
Outstanding at beginning of year	**26,532**	**1.13**	26,578	1.05
Granted during the year [(1) (2)]	**17,543**	**0.56**	11,760	0.91
Forfeited during the year	**(3,900)**	**0.97**	(4,076)	0.95
Exercised during the year	**(3,481)**	**1.14**	(7,730)	0.61
Outstanding at end of year	**36,694**	**0.87**	26,532	1.13
Exercisable at end of year	**1,332**	**1.26**	1,601	0.57

(1) The charge to the income statement for the years ended 31 January 2017 and 31 January 2016 in respect of share-based payments includes the first year's charge of the 2017 Kingfisher Incentive Share Plan ('KISP') Deferred Bonus Award and 2016 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 12 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 £3.53 (2015/16: £3.54). 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 (2015/16: 4.2 years).

The Group recognised a total expense of £15m in the year ended 31 January 2017 (2015/16: £11m) relating to equity-settled share-based payment transactions.

The fair value of share options and deferred shares is determined by independent valuers using Black-Scholes and stochastic option pricing models. The inputs of the principal schemes into these models are as follows:

	Date of grant	Share price at grant £	Exercise price £	Expected life (2) years	Expected volatility (3) %	Dividend yield %	Risk free rate %	Fair value £
Kingfisher Incentive Share	25/04/12	2.96	–	7	–	–	–	2.96
Scheme (1)	11/04/13	2.97	–	7	–	–	–	2.97
Kingfisher Incentive Share Plan –	23/04/14	4.19	–	7	–	–	–	4.19
Deferred Bonus Awards	23/04/15	3.52	–	7	–	–	–	3.52
	21/04/16	3.61	–	7	–	–	–	3.61
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	28/10/10	2.39	1.87	5.5	37.3%	2.3%	1.9%	0.39
Sharesave	26/10/11	2.64	1.99	3.5	39.1%	2.9%	0.9%	0.54
	26/10/11	2.64	1.99	5.5	37.6%	2.9%	1.4%	0.42
	19/10/12	2.85	2.17	3.5	25.9%	3.3%	0.4%	0.45
	19/10/12	2.85	2.17	5.5	37.6%	3.3%	0.9%	0.49
	22/10/13	3.74	3.15	3.5	23.3%	2.5%	0.9%	0.49
	22/10/13	3.74	3.15	5.5	33.6%	2.5%	1.6%	0.59
	21/10/14	2.94	2.52	3.5	23.8%	3.4%	1.1%	0.35
	21/10/14	2.94	2.52	5.5	24.5%	3.4%	1.5%	0.31
	22/10/15	3.51	2.81	3.5	22.4%	2.9%	0.8%	0.48
	22/10/15	3.51	2.81	5.5	23.1%	2.9%	1.2%	0.41
	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
Alignment Shares	19/07/16	3.32	–	10	–	–	–	3.32
	19/07/16	3.32	–	10	–	–	–	3.03
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 overseas KISS schemes is 6 months from the date of vesting. 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.

31 CASH GENERATED BY OPERATIONS

£ millions	2016/17	2015/16
Operating profit	**773**	526
Share of post-tax results of joint ventures and associates	**(1)**	(3)
Depreciation and amortisation	**253**	240
Impairment losses	**14**	55
Loss on disposal of property, plant and equipment, investment property and property held for sale	**4**	3
Profit on disposal of B&Q China	**(3)**	(143)
Profit on disposal of property and other companies	**–**	(13)
Share-based compensation charge	**15**	11
(Increase)/decrease in inventories	**(46)**	56
Decrease/(increase) in trade and other receivables	**62**	(36)
Increase in trade and other payables	**4**	27
Movement in provisions	**(125)**	233
Movement in post-employment benefits	**(25)**	(25)
Cash generated by operations	**925**	931

32 NET CASH

£ millions	2016/17	2015/16
Cash and cash equivalents	**795**	730
Bank overdrafts	**–**	(76)
Cash and cash equivalents and bank overdrafts	**795**	654
Short-term deposits	**–**	70
Bank loans	**(9)**	(10)
Fixed term debt	**(147)**	(185)
Financing derivatives	**44**	63
Finance leases	**(42)**	(46)
Net cash	**641**	546

£ millions	2016/17	2015/16
Net cash at beginning of year	**546**	329
Net increase in cash and cash equivalents and bank overdrafts, including amounts classified as held for sale	**38**	127
(Decrease)/increase in short-term deposits	**(70)**	22
Repayment of bank loans	**2**	1
Repayment of fixed term debt	**47**	–
Receipt on financing derivatives	**(10)**	–
Capital element of finance lease rental payments	**12**	13
Cash flow movement in net cash	**19**	163
Adjustment for cash classified as held for sale (B&Q China)	**–**	57
Exchange differences and other non-cash movements	**76**	(3)
Net cash at end of year	**641**	546

33 DISPOSALS

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**

In the prior year, the Group received gross proceeds of £140m (before disposal costs of £6m) and recognised a profit on disposal of £143m (including £7m of accumulated currency translation differences recycled from other comprehensive income) in respect of Wumei Holdings Inc. acquiring a controlling 70% stake in the B&Q China business. In the prior year, the Group also completed the sale of a property company for proceeds of £18m and a profit of £16m, along with the sale of a UK company for proceeds of £nil and a loss of £3m.

34 ASSETS HELD FOR SALE

£ millions	2016/17	2015/16
Assets held for sale	**–**	6

In the prior year, assets held for sale comprised £6m of freehold properties in the UK.

35 COMMITMENTS

Operating lease commitments

The Group is a lessee of various retail stores, offices, warehouses and plant and equipment under lease agreements with varying terms, escalation clauses and renewal rights.

The Group is also a lessor and sub-lessor of space with freehold and leasehold properties respectively. Lease arrangements under which rental payments are contingent upon sales, other performance or usage are not significant for the Group.

There are no corporate restrictions imposed by lease arrangements such as those concerning dividends, additional debt and further leasing.

Undiscounted total future minimum rentals payable under non-cancellable operating leases are as follows:

£ millions	2016/17	2015/16
Less than one year	**427**	416
One to five years	**1,393**	1,366
More than five years	**1,598**	1,726
	3,418	3,508

Undiscounted total future minimum rentals receivable under non-cancellable operating leases are as follows:

£ millions	2016/17	2015/16
Less than one year	**12**	13
One to five years	**36**	38
More than five years	**34**	39
	82	90

The total of future minimum operating sublease receipts expected to be received is £62m (2015/16: £70m).

Capital commitments

Capital commitments contracted but not provided for by the Group amount to £31m (2015/16: £46m).

36 CONTINGENT LIABILITIES

The Group has arranged for certain guarantees to be provided to third parties in the ordinary course of business. Of these guarantees, only £1m (2015/16: £1m) would crystallise due to possible future events not wholly within the Group's control.

The Group is subject to claims and litigation arising in the ordinary course of business and provision is made where liabilities are considered likely to arise on the basis of current information and legal advice.

The Group files tax returns in many jurisdictions around the world and at any one time, various tax authorities are undertaking reviews of these returns. 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.

37 RELATED PARTY TRANSACTIONS

During the year, the Company and its subsidiaries carried out a number of transactions with related parties in the normal course of business and on an arm's length basis. The names of the related parties, the nature of these transactions and their total value are shown below:

	2016/17		2015/16	
£ 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	**1.0**	**0.4**	1.2	0.1
Transactions with Crealfi S.A. in which the Group holds a 49% interest				
Provision of employee services	**0.1**	**–**	0.1	–
Commission and other income	**6.4**	**0.3**	5.7	0.3
Transactions with the Kingfisher Pension Scheme				
Provision of administrative services	**1.3**	**0.1**	1.2	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 disclosed in note 8.

Other transactions with the Kingfisher Pension Scheme are disclosed in note 27.

Company balance sheet

At 31 January 2017

£ millions	Notes	2016/17	2015/16
Non-current assets			
Investment in subsidiary	3	**6,819**	6,813
Post-employment benefits	10	**13**	13
Derivative assets	7	**54**	42
		6,886	6,868
Current assets			
Trade and other receivables	4	**6,863**	3,341
Derivative assets	7	**7**	24
Current tax assets		**37**	63
Cash and cash equivalents		**129**	154
		7,036	3,582
Total assets		**13,922**	10,450
Current liabilities			
Trade and other payables	5	**(7,544)**	(4,359)
Borrowings	6	**–**	(48)
Derivative liabilities	7	**(17)**	(3)
Provisions	9	**(1)**	(1)
		(7,562)	(4,411)
Non-current liabilities			
Borrowings	6	**(147)**	(137)
Deferred tax liabilities	8	**–**	(1)
Provisions	9	**(5)**	(4)
		(152)	(142)
Total liabilities		**(7,714)**	(4,553)
Net assets		**6,208**	5,897
Equity			
Share capital	11	**352**	361
Share premium		**2,221**	2,218
Own shares held in ESOP trust		**(23)**	(24)
Retained earnings		**2,925**	2,618
Other reserves		**733**	724
Total equity		**6,208**	5,897

The Company's profit for the year was £680m (2015/16: £482m).

The financial statements were approved by the Board of Directors on 21 March 2017 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 2017

£ millions	Share capital	Share premium	Own shares held	Retained earnings	Other reserves[1]	Total equity
At 1 February 2016	**361**	**2,218**	**(24)**	**2,618**	**724**	**5,897**
Profit for the year	**–**	**–**	**–**	**680**	**–**	**680**
Other comprehensive income for the year (note 10)	**–**	**–**	**–**	**(2)**	**–**	**(2)**
Total comprehensive income for the year	**361**	**2,218**	**(24)**	**3,296**	**724**	**6,575**
Share-based compensation	**–**	**–**	**–**	**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 (note 9)	**(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**	**733**	**6,208**
At 1 February 2015	369	2,214	(26)	2,568	716	5,841
Profit for the year	–	–	–	482	–	482
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income for the year	369	2,214	(26)	3,050	716	6,323
Share-based compensation	–	–	–	3	–	3
Capital contributions given relating to share-based payments	–	–	–	14	–	14
New shares issued under share schemes	–	4	–	–	–	4
Own shares issued under share schemes	–	–	18	(17)	–	1
Purchase of own shares for cancellation (note 9)	(8)	–	–	(200)	8	(200)
Purchase of own shares for ESOP trust	–	–	(16)	–	–	(16)
Dividends	–	–	–	(232)	–	(232)
At 31 January 2016	361	2,218	(24)	2,618	724	5,897

(1) The other reserves represent the premium on the issue of convertible loan stock in 1993, the merger reserve relating to the acquisition of Darty and the capital redemption reserve.

Notes to the Company financial statements

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements of Kingfisher plc ('the Company') are for the calendar year ended 31 January 2017 ('the year' or '2016/17') and were authorised for issue by the Board of Directors on 21 March 2017. The comparative financial year is the calendar year ended 31 January 2016 ('the prior year' or '2015/16').

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 2017. Refer to the Strategic Report on page 46.

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	2016/17	2015/16
Year end rate	**1.16**	1.31

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.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

d. Employee benefits continued

(iii) Employee Share Ownership Plan trust ('ESOP trust') continued

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.

(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 shareholders.

Sources of estimation uncertainty

Post-employment benefits

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

2 INCOME STATEMENT DISCLOSURES

The audit fee for the Company and the consolidated financial statements is disclosed in note 7 of the Kingfisher plc consolidated financial statements. Fees payable to Deloitte LLP and their associates for audit and non-audit services to the Company are not required to be disclosed because the Group financial statements disclose such fees on a consolidated basis. Details of the Company's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity were safeguarded are set out in the Audit Committee Report on page 62.

Dividend disclosures are provided in note 11 of the Kingfisher plc consolidated financial statements.

£ millions	**2016/17**	2015/16
Wages and salaries	**44**	28
Social security costs	**6**	5
Post-employment benefits – defined contribution	**2**	2
Share-based compensation	**6**	3
Employee benefit expenses	**58**	38

Number	**2016/17**	2015/16
Average number of persons employed		
Administration	**415**	231

Directors' remuneration and details of share option exercises are disclosed in the Directors' Remuneration Report on pages 66 to 88. Total Directors' remuneration for the year is £6m (2015/16: £6m).

3 INVESTMENTS

£ millions	Investment in subsidiary
At 1 February 2016	**6,813**
Capital contributions given relating to share-based payments	**9**
Contributions received relating to share-based payments	**(3)**
At 31 January 2017	**6,819**

The more significant subsidiary undertakings of the Company at 31 January 2017 and the ultimate percentage holding are set out below. For a full list of subsidiaries and related undertakings, see note 15.

	Country of incorporation and operation	% interest held and voting rights	Class of share owned	Main activity
B & Q 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 Holdings Limited	United Kingdom	100%	Ordinary	Holding company
Kingfisher Information Technology Services (UK) Limited	United Kingdom	100%	Ordinary	IT services
Screwfix Direct Limited	United Kingdom	100%	Ordinary	Retailing
Sheldon Holdings Limited	United Kingdom	100%	Ordinary	Holding company
Zeus Land Investments Limited	United Kingdom	100%	Ordinary	Holding company
B&Q Ireland Limited	Ireland	100%	Ordinary	Retailing
Brico Dépôt S.A.S.U.	France	100%	Ordinary	Retailing
Castorama Dubois Investissements S.C.A.	France	100%	Ordinary	Holding company
Castorama France S.A.S.U.	France	100%	Ordinary	Retailing
Euro Dépôt Immobilier S.A.S.U.	France	100%	Ordinary	Property investment
L'Immobilière Castorama S.A.S.U.	France	100%	Ordinary	Property investment
Kingfisher France S.A.S.	France	100%	Ordinary	Holding company
Kingfisher Asia Limited	Hong Kong	100%	Ordinary	Sourcing
Castim Sp. z o.o.	Poland	100%	Ordinary	Property investment
Castorama Polska Sp. z o.o.	Poland	100%	Ordinary	Retailing
Brico Dépôt Portugal S.A.	Portugal	100%	Ordinary	Retailing
Castorama RUS LLC [2]	Russia	100%	Ordinary	Retailing
Bricostore Romania S.A. [2]	Romania	100%	Ordinary	Retailing
Euro Dépôt España S.A.U.	Spain	100%	Ordinary	Retailing

(1) The special shares in B & Q plc are owned 100% by Kingfisher plc and are non-voting.
(2) Owing to local conditions, these companies prepare their financial statements to 31 December.

4 TRADE AND OTHER RECEIVABLES

£ millions	2016/17	2015/16
Current		
Owed by Group undertakings	**6,861**	3,338
Other receivables	**2**	3
	6,863	3,341

5 TRADE AND OTHER PAYABLES

£ millions	2016/17	2015/16
Current		
Owed to Group undertakings	**7,491**	4,266
Other taxation and social security	**2**	1
Contract to purchase own shares	**–**	50
Accruals and other payables	**51**	42
	7,544	4,359

Amounts owed to Group undertakings are repayable on demand and any interest due thereon is charged at current market rates. The contract to purchase own shares in the prior year related to a liability arising under an irrevocable closed season buyback agreement for the purchase of the Company's own shares.

6 BORROWINGS

£ millions	2016/17	2015/16
Current		
Fixed term debt	**–**	48
	–	48
Non-current		
Fixed term debt	**147**	137
	147	137

Details of the fixed term debt are given in note 22 to the consolidated financial statements.

7 DERIVATIVES

£ millions	2016/17	2015/16
Cross currency interest rate swaps	**55**	56
Foreign exchange contracts	**6**	10
Derivative assets	**61**	66
Foreign exchange contracts	**(17)**	(3)
Derivative liabilities	**(17)**	(3)

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

8 DEFERRED TAX

£ millions	Employment and post-employment benefits
At 1 February 2016	**(1)**
Credit to income statement	**1**
At 31 January 2017	**–**
At 1 February 2015	–
Charge to income statement	(1)
At 31 January 2016	(1)

9 PROVISIONS

£ millions	Onerous property contracts
At 1 February 2016	**5**
Charge to income statement	**1**
At 31 January 2017	**6**
Current liabilities	**1**
Non-current liabilities	**5**
	6

Within the onerous property contracts provision, the Company has provided against future liabilities for all properties sublet at a shortfall and long-term idle properties. The provision is based on the present value of future cash outflows relating to rent, rates and service charges. The weighted average remaining lease term to earliest exit, before any surrenders, assignment or mitigation through subleases, is five years.

10 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	2016/17	2015/16
Charge to operating profit	**2**	2

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

Defined benefit scheme

Kingfisher plc is one of a number of Group companies that participate in the Kingfisher Pension Scheme, and therefore the Company has accounted for its share of the scheme assets and liabilities. The valuation of the scheme has been based on the most recent actuarial valuation as at 31 March 2016 and has been updated to 31 January 2017.

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 Trustees 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 27 of the consolidated financial statements. The reported pension position reflects the Company's share of the resulting scheme asset.

Income statement

£ millions	2016/17	2015/16
Net interest income	**1**	1
Total credited to income statement	**1**	1

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 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**
At 1 February 2015	(77)	88	11
Interest (expense)/income	(2)	3	1
Actuarial gains/(losses) [(1)]	7	(7)	–
Contributions paid by employer	–	1	1
Benefits paid	2	(2)	–
At 31 January 2016	(70)	83	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	2016/17	2015/16
Equities	**10**	10
Government and corporate bonds	**73**	57
Property	**1**	1
Cash and other	**17**	15
Total fair value of scheme assets	**101**	83

11 CALLED UP SHARE CAPITAL

	Number of ordinary shares millions	Ordinary share capital £ millions
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 Company purchased 58 million of its own shares for cancellation at a cost of £200m as part of its capital returns programme.

12 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, Ireland and overseas.

Options have been exercised on a regular basis throughout the year. On that basis, the weighted average share price during the year, rather than at the date of exercise, is £3.53 (2015/16: £3.54). 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 7.7 years (2015/16: 4.2 years).

The Executive Directors' awards are disclosed in the Directors' Remuneration Report on pages 66 to 88. 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 are exercised. Vesting dates varied according to individual grants.

12 SHARE-BASED PAYMENTS CONTINUED

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 and International Sharesave plans, which operate along similar lines of the UK Sharesave scheme, include eligible employees in Ireland and certain overseas locations.

The rules of all schemes include provision for the early exercise of options in certain circumstances.

The Employee Share Ownership Plan trust ('ESOP trust')

The ESOP trust is funded by an interest free loan from the Company of £78m (2015/16: £76m) 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, Performance Share Plan, Store Management Incentive Share Scheme and International Sharesave Schemes.

The ESOP trust's shareholding at 31 January 2017 is 6 million shares (2015/16: 7 million shares) with a nominal value of £1m (2015/16: £1m) and a market value of £22m (2015/16: £23m). Dividends on these shares were waived for the interim and final dividends.

13 COMMITMENTS

Operating lease commitments

The Company is a lessee of offices under lease agreements with varying terms, escalation clauses and renewal rights.

Undiscounted total future minimum rentals payable under non-cancellable operating leases are as follows:

£ millions	**2016/17**	2015/16
Less than one year	**4**	3
One to five years	**15**	13
More than five years	**5**	5
	24	21

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	**2016/17**	2015/16
Less than one year	**1**	1
One to five years	**2**	1
	3	2

14 RELATED PARTY TRANSACTIONS

During the year, the Company carried out a number of transactions with related parties in the normal course of business and on an arm's length basis. The names of the related parties, the nature of these transactions and their total value are shown below:

	2016/17		2015/16	
£ 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**	**0.1**	1.2	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 66 to 88.

Other transactions with the Kingfisher Pension Scheme are detailed in note 10.

15 RELATED UNDERTAKINGS OF THE GROUP

In accordance with Section 409 of the Companies Act 2006, a full list of related undertakings as at 31 January 2017, 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. (21)
Alcedo Finance Limited (7)
B&Q (Retail) Guernsey Limited (15)
B&Q (Retail) Jersey Limited (19)
B&Q Ireland Limited (11)
B & Q plc (a) (13)
B&Q Properties Chesterfield Limited (13)
B&Q Properties Chestnut Retail Park Limited (13)
B&Q Properties Farnborough Limited (13)
B&Q Properties Investments Limited (2)
B&Q Properties Limited (13)
B&Q Properties New Malden Limited (13)
B&Q Properties Nursling Limited (13)
B&Q Properties South Shields Limited (13)
B&Q Properties Sutton-In-Ashfield Limited (13)
B&Q Properties Swindon Limited (13)
B&Q Properties Witney Limited (13)
B&Q Properties Wrexham Limited (13)
Bargain Bob's Limited (29)
Brico Communication S.R.L. (3)
Brico Dépôt Portugal S.A. (25)
Brico Dépôt S.A.S.U. (9)
Brico Development S.A. (3)
Brico Foncier S.A. (3)
Brico Imobiliare Calarasi S.A. (3)
Bricostore Romania S.A. (3)
Brico Supply S.A. (3)
Budle Finance Limited (7)
Castim Sp. z o.o. (30)
Castorama Dubois Investissements S.C.A. (32)
Castorama France S.A.S.U. (32)
Castorama Partenariat SNC (21)
Castorama Polska Sp. z o.o. (30)
Castorama RUS LLC (18)
Dickens Limited (13)
DIY Express Limited (29)
EasyDrive (GB) Limited (29)
Eijsvogel Finance Limited (7)
Eijsvogel S.A.R.L. (21)
Electricfix Limited (29)
Erbauer (UK) Limited (29)
Euro Dépôt España S.A.U. (14)
Euro Dépôt Immobilier S.A.S.U. (9)
Forge Steel Limited (29)
Geared Up Limited (29)
Halcyon Finance Limited (7)
Halcyon S.A.R.L. (21)
Immobilière de l'Epinoy S.A.S.U. (21)
KF3 S.A.S.U. (21)
KF5 S.A.S.U. (21)
KF6 S.A.S.U. (21)
KF7 S.A.S.U. (21)
KFL1 S.A.S.U. (21)
KFL2 S.A.S.U. (21)
KFL5 S.A.S.U. (21)
KFL6 S.A.S.U. (21)
KFL7 S.A.S.U. (21)
KFL8 S.A.S.U. (21)
Kingfisher Asia Limited (5)
Kingfisher B.V. (22)
Kingfisher Digital Limited (7)
Kingfisher France Limited (7)
Kingfisher France S.A.S. (32)
Kingfisher France Services S.A.S.U. (21)
Kingfisher Future Homes Limited *(in liquidation)* (8)
Kingfisher Group Limited (7)
Kingfisher Holdings B.V. (22)
Kingfisher Holdings Limited (b) (7)
Kingfisher Information Technology Services (France) S.A.S.U. (21)
Kingfisher Information Technology Services (UK) Limited (7)
Kingfisher Insurance Designated Activity Company (31)
Kingfisher International Finance S.A. (c) (23)
Kingfisher International France Limited *(in liquidation)* (7)
Kingfisher International Holdings B.V. (22)
Kingfisher International Holdings Limited (7)
Kingfisher International Holdings S.A.S.U. (21)
Kingfisher International Investments S.A.S.U. (21)
Kingfisher International Products France S.A.S.U. (21)
Kingfisher International Products Limited (7)
Kingfisher Nominees Limited (7)
Kingfisher (Paddington) Limited (7)
Kingfisher Pension Trustee Limited (7)
Kingfisher Properties Investments Limited (7)
Kingfisher S.A.R.L. (21)
Kingfisher Scottish Limited Partnership (d) (2)
Kingfisher (Shanghai) Sourcing Consultancy Co. Limited (24)
Kingfisher Sourcing Eastern Europe Sp. z o.o. (4)
Kingfisher TMB Limited (13)
Kingfisher UK Investments Limited (7)
Kingfisher UK Limited (7)
KSO Istanbul Sourcing Ev Geliştirme Ürünleri ve Hizmetleri Limited Şirketi (17)
La Tourelle S.A.S.U. (26)

15 RELATED UNDERTAKINGS OF THE GROUP CONTINUED

L'Immobilière Castorama S.A.S.U. [32]
Locke & Co Limited [29]
Martin Pecheur Finance S.A.R.L. [12]
Martin Pecheur Holdings Limited [6]
Martin Pecheur Investments Limited [20]
Martin Pecheur Limited [20]
Martin Pecheur S.A.R.L. [21]
Martin Pecheur Sterling Investments Limited [7]
Moretti (UK) Limited [29]
New England Paint Company Limited [7]
No Nonsense Limited [29]
Owl Developments Sp. z o.o [30]
Paddington Investments Ireland Limited [6]
Pescador S.A.R.L. [21]
Plumbfix Limited [29]
Powersmith Limited [29]
Portswood B.V. [22]
Portswood Investments Limited [7]
ProLand Corporation LLC [1]
Screwfix Direct Limited [e] [29]
Screwfix Investments Limited [7]
Screwfix Limited [29]
Screwfix S.A.S.U. [21]
Screws Limited [29]
SFD Limited [29]
Sheldon Euro Investments Limited [7]
Sheldon Euro Investments 2 Limited [7]
Sheldon Holdings Limited [7]
Sheldon Poland Investments Limited [7]
Sheldon Sterling Investments Limited [7]
Site (UK) Limited [29]
SNC Dynastock [16]
Société Commanditée de Castorama Dubois Investissements Socodi S.A.R.L. [21]
Société de Participation d'Investissement et de Construction Region Nord [10]
Société Letranne S.C.I. [9]
Sorod S.A. [3]
Street Club Limited [13]
Titan Power Tools (UK) Limited [29]
Trade Point Limited [13]
Waren Investments Limited [7]
Watersmith UK Limited [29]
Wildbird International Limited [f] [29]
Zeus Land Investments Limited [7]

Related undertakings other than subsidiaries

Crealfi S.A. (France, 49%) [27]
Koçtaş Yapi Marketleri Ticaret A.S. (Turkey, 50%) [28]

(a) Kingfisher plc holds 1,000 Special Shares of £0.05 each, and 1,000 Special A Shares of £0.05 each – both representing 100% of the nominal value of each class of share. 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.

Registered offices and country of incorporation:

(1) 12 Krasnopresnenskaya Naberezhnaya, 123610, Moscow, Russian Federation
(2) 13 Albyn Terrace , Aberdeen, Scotland, AB10 1YB, United Kingdom
(3) 1-3 Calea Giulesti, 5th floor, building Castel, Bricostore Commercial Centre, 6th District, Bucharest, Romania
(4) 17 Stycznia 45a, 02-148 Warsaw, Poland
(5) 21/F Cornwall House, 979 Kings Road, Quarry Bay, Hong Kong
(6) 2nd Floor, 1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland
(7) 3 Sheldon Square, Paddington, London, W2 6PX, United Kingdom
(8) 30 Finsbury Square, London, EC2P 2YU, United Kingdom
(9) 30-32 Rue de la Tourelle, 91310 Longpont-sur-Orge, France
(10) 494 Avenue du Général de Gaulle, 59910, Bondues, France
(11) 6th Floor, 2 Grand Canal Square, Dublin 2, Ireland
(12) 99 Grand-rue, L-1661, Luxembourg
(13) B&Q House, Chestnut Avenue, Chandlers Ford, Eastleigh, SO53 3LE, United Kingdom
(14) C/ la Selva, 10 Inblau Edificio A 1a, 08820 El Prat de Llobregat, Barcelona, Spain
(15) Canada Court, Upland Road, St Peter Port, GY1 2AS, Guernsey
(16) Chez Castorama, Parc d'Activités, 59175 Templemars, France
(17) Çolakoglu Is Merkezi Turgut Özal Bulvari , No: 82/3-4-5-6 Taşd, Çekmeköy, İstanbul, Turkey
(18) Derbenevskaya nab. 7, Bld 8, 115114, Moscow, Russian Federation
(19) Gaspe House, 66-72 Esplanade, St. Helier, JE2 3QT, Jersey
(20) Ogier House, The Esplanade, St Helier, JE4 9WG, Jersey
(21) Parc d'Activités, 59175 Templemars, France
(22) Rapenburgerstraat 175, E, 1011 VM, Amsterdam, Netherlands
(23) Regus Park Atrium, Rue des Colonies 11, 1000 Brussels, Belgium
(24) Room 401, B&Q Commercial Building, 393 Yin Xiao Road, Pudong, Shanghai, 201204, China
(25) Rua Castilho, 5 - 1º Esq. Sala 12, Freguesia de San Mamede, Concelho de Lisboa, Portugal
(26) Rue de la Tourelle, 91310 Longpont-sur-Orge, France
(27) Rue du Bois Sauvage, 91038, EVRY CEDEX, France
(28) Tasdelen, Sile otobani 11.Km.Alemdar Sapagi Sirri Celik Bulvari, No.1 C.Blok Cekmekoy, Istanbul, Turkey
(29) Trade House, Mead Avenue, Houndstone Business Park, Yeovil, BA22 8RT, United Kingdom
(30) ul. Krakowoakow 78, 02-255, Warsaw, Poland
(31) Willis Towers Watson House, Elm Park, Merrion Road, Dublin 4, Ireland
(32) Zone Industrielle, 59175 Templemars, France

Group five year financial summary

£ millions	2012/13[1][2][4] 53 weeks[3]	2013/14[1][2] 52 weeks[3]	2014/15[2][5] 52 weeks	2015/16 Calendar year[6]	**2016/17 Calendar year[6]**
Income statement					
Sales	10,573	11,125	10,966	10,441	**11,225**
B&Q China sales	(374)	(421)	(361)	(110)	**–**
Adjusted sales	10,199	10,704	10,605	10,331	**11,225**
Retail profit	761	785	742	746	**847**
Central costs	(42)	(42)	(40)	(45)	**(48)**
Share of interest and tax of joint ventures and associates	(6)	(5)	(6)	(5)	**(5)**
Net finance costs before financing fair value measurements and exceptional items	(3)	(2)	(12)	(10)	**(7)**
Underlying pre-tax profit	710	736	684	686	**787**
Transformation costs (before exceptional items)	–	–	–	–	**(44)**
Adjusted pre-tax profit	710	736	684	686	**743**
B&Q China operating loss	(9)	(6)	(9)	(4)	**–**
Share of Hornbach post-tax results	14	14	–	–	**–**
Exceptional items (before tax)	(26)	17	(35)	(166)	**17**
Financing fair value remeasurements	2	(2)	4	(4)	**(1)**
Profit before taxation	691	759	644	512	**759**
Income tax expense (including exceptional items)	(127)	(49)	(71)	(100)	**(149)**
Profit for the year	564	710	573	412	**610**
Balance sheet					
Goodwill and other intangible assets	2,565	2,639	2,672	2,673	**2,707**
Property, plant and equipment and investment property	3,814	3,675	3,233	3,237	**3,613**
Investments in joint ventures and associates	289	32	28	23	**23**
Investment in B&Q China	–	–	–	62	**–**
Assets and liabilities held for sale	–	208	79	6	**–**
Other net current (liabilities)/assets[7]	(128)	(19)	182	55	**51**
Post-employment benefits	–	(100)	112	159	**131**
Other net non-current liabilities[7]	(422)	(356)	(405)	(575)	**(395)**
Capital employed	6,118	6,079	5,901	5,640	**6,130**
Equity shareholders' funds	6,148	6,308	6,220	6,186	**6,771**
Non-controlling interests	8	9	10	–	**–**
Net cash	(38)	(238)	(329)	(546)	**(641)**
Capital employed	6,118	6,079	5,901	5,640	**6,130**
Other financial information					
Like-for-like sales growth	(3.0%)	0.3%	0.9%	2.3%	**2.3%**
Effective tax rate	27%	26%	27%	26%	**26%**
Basic earnings per share (pence)	24.1	30.0	24.3	17.8	**27.1**
Adjusted basic earnings per share (pence)	22.1	23.0	21.3	22.0	**24.4**
Underlying basic earnings per share (pence)	22.1	23.0	21.3	22.0	**25.9**
Ordinary dividend per share (pence)	9.46	9.9	10.0	10.1	**10.4**
Gross capital expenditure[8]	316	304	275	333	**406**
Number of stores[9]	988	1,079	1,153	1,156	**1,194**

(1) Adjusted pre-tax profit and adjusted basic earnings per share restated to exclude contribution from Hornbach, following its disposal in 2014/15. There was no contribution from Hornbach in 2014/15.

(2) Sales, retail profit, adjusted pre-tax profit, like-for-like sales growth and adjusted basic earnings per share restated to exclude B&Q China operating results, following the disposal of a 70% controlling stake in 2015/16.

(3) Like-for-like sales growth in 2012/13 was calculated by comparing 53 weeks against the equivalent 53 weeks of the prior year. Like-for-like sales growth in 2013/14 is calculated by comparing 52 weeks against the equivalent 52 weeks of the prior year. This only impacted the UK & Ireland businesses with all of the other businesses reporting on a calendar basis. The effect of the 53rd week on the results of the Group in 2012/13 was the inclusion of an additional £72m sales and an immaterial benefit to retail profit.

(4) 2012/13 restated for IAS 19 (revised), 'Employee benefits', resulting in the reclassification of £3m of pension administration costs from net finance costs to retail profit.

(5) 2014/15 restated for IFRIC 21, 'Levies', resulting in a restatement of balance sheet payables, deferred tax and equity shareholders' funds.

(6) In 2015/16 the Group moved its year end to 31 January (previously the nearest Saturday to 31 January) resulting in a calendar year ended 31 January 2016. This only 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.

(7) Other net current (liabilities)/assets and other net non-current liabilities reported above exclude any components of net cash.

(8) Excluding business acquisitions.

(9) Excluding joint ventures and associates.

ANNUAL GENERAL MEETING

Our 2017 Annual General Meeting will be held on Tuesday, 13 June 2017 at the Hotel Novotel London Paddington, 3 Kingdom Street, London W2 6BD, at 2.00pm.

FINANCIAL CALENDAR

The proposed financial calendar for 2017/18 is as follows:

First-quarter trading update	24 May 2017
Second-quarter trading update	17 August 2017
Half-year results to 31 July 2017	20 September 2017
Third-quarter trading update	21 November 2017
Final results to 31 January 2018	March 2018

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.
- 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.

Terms and conditions of both services can be obtained by calling +44(0) 370 702 0129.

UNAUTHORISED BROKERS (BOILER ROOM SCAMS)

Kingfisher plc is legally obliged to make its share register available to the general public. Consequently some shareholders may receive unsolicited mail, including correspondence from unauthorised investment companies. We are aware that some shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based brokers who target UK shareholders offering to sell what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Details of any share dealing facilities that the company endorses will be included in company mailings.

SHARE PRICE HISTORY

	£ per ordinary share*		Dollars per ADR**	
Financial year	High	Low	High	Low
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 2017

Classification of Holder	Holdings	%	Shares	%
Individuals	19,267	91.90	26,805,875	1.20
Bank or Nominees	1,550	7.39	2,199,609,979	98.20
Investment Trust	17	0.08	234,426	0.01
Insurance Company	6	0.03	45,511	0.00
Other Company	104	0.50	1,523,516	0.07
Pension Trust	0	0.00	0	0.00
Other Corporate Body	20	0.10	11,692,495	0.52
Total	20,964	100.00	2,239,911,802	100.00

Size of holding	Shareholders	%	Shares	%
0-500	10,079	48.08	1,912,185	0.08
501-1,000	3,711	17.70	2,732,305	0.12
1,001-5,000	5,154	24.59	11,216,663	0.50
5,001-10,000	752	3.59	5,304,917	0.24
10,001-100,000	672	3.20	20,544,770	0.92
100,001-500,000	277	1.32	64,261,567	2.87
500,001 and above	319	1.52	2,133,939,395	95.27
Total	20,964	100.00	2,239,911,802	100.00

DIVIDEND

The interim dividend for the financial year ended 31 January 2017 of 3.25p per share was paid on 11 November 2016.

The table below provides the payment information for the final dividend of 7.15p per share, subject to shareholder approval at our 2017 Annual General Meeting:

Ex-dividend date	4 May 2017
Record date	5 May 2017
Final date for return of DRIP mandate forms/currency elections	26 May 2017
Euro exchange rate notification	30 May 2017
Payment date and DRIP purchase	19 June 2017

PAYMENT METHODS

Shareholders can elect to receive their dividends in a number of ways:

- **Cheque:** Dividends will automatically be paid to shareholders by cheque, which will be sent by post to the shareholder's registered address;
- **BACS:** Dividends can be paid by mandate directly to a UK bank or building society account through the BACS system. This method of payment reduces the risk of your cheque being intercepted or lost in the post. Shareholders wishing to receive their dividends in this way can update their mandate instructions at www.investorcentre.co.uk or complete a dividend mandate form and return it to the 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 and copies of the current and past annual reports.

Kingfisher has an Investor Relations app for the iPad. The app provides access to the latest share price information, corporate news, financial reports, presentations, corporate videos and earnings webcasts both online and offline. It is updated with the latest financial information at the same time as the corporate website. To discover more, download it free from the App store.

DOCUMENT VIEWING

Shareholders will have the opportunity to view certain documentation, as outlined in the Notice of Annual General Meeting, from at least 15 minutes prior to the meeting, until its conclusion. The rules of the Kingfisher Incentive Share Plan (KISP), the Kingfisher Alignment Shares and Transformation Incentive Plan (KASTIP), the (proposed) Articles of Association and other documentation referred to in this Annual Report can be viewed at the registered office during normal business hours.

GROUP COMPANY SECRETARY AND REGISTERED OFFICE

Paul Moore, Kingfisher plc

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Fax: +44 (0)20 7644 1001
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Registered in England and Wales
Registered Number 01664812

FORWARD-LOOKING STATEMENTS

All statements in this Annual Report and Accounts, other than historical facts, may be forward-looking statements. Such statements are therefore subject to risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied because they relate to future events.

Forward-looking statements can be identified by the use of relevant terminology including the words: 'believes', 'estimates', 'anticipates', 'expects', 'intends', 'plans', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology and include all matters that are not historical facts. They appear in a number of places throughout this Annual Report and Accounts and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, changes in tax rates, liquidity, prospects, growth, strategies and the businesses we operate.

Other factors that could cause actual results to differ materially from those estimated by the forward-looking statements include, but are not limited to, global economic business conditions, 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)

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. Full year 2015/16 comparatives exclude B&Q China's results.

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.

Adjusted sales represents statutory sales excluding B&Q China sales.

Banque de France data includes relocated and extended stores. http://webstat.banque-france.fr/en/browse.do?node=5384326

BAU (business as usual) refers to activity without the transformation. When referring to our performance, we would expect this to be broadly in line with the macroeconomic backdrop in our respective markets.

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 does not include 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.

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).

GNFR (Goods Not For Resale) covers the procurement of all goods and services a retailer consumes (including media buying, mechanical handling equipment, printing and paper).

Lease adjusted ROCE is 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. Capital employed is adjusted to include capitalised property leases. Kingfisher believes 8x property operating lease rent is a reasonable industry standard for estimating the economic value of its leased assets. Capital employed except for capitalised leases, is calculated as a two point average. The calculation excludes disposed businesses e.g. China.

LFL stands for like-for-like sales growth representing the constant currency, year on year sales growth for stores that have been open for more than a year.

Net cash comprises cash and cash equivalents and short term deposits, less borrowings and financing derivatives (excluding accrued interest). It excludes balances classified as held for sale.

New Country Development consists of Screwfix Europe, Portugal and Romania.

Other International consists of Poland, Portugal, Romania, Russia, Screwfix Europe, Spain and Turkey (Koçtaş joint venture).

Retail profit is our operating profit measure used to report the performance of the underlying retail businesses including the sustainable benefits of our transformation programme. This is stated before central costs, transformation costs, exceptional items and the Group's share of interest and tax of joint ventures and associates. Full year 2015/16 comparatives exclude B&Q China's operating loss.

Screwfix Europe refers to Screwfix outside of UK in continental Europe.

Statutory sales refer to Group sales excluding Joint Venture (Koçtaş joint venture) sales.

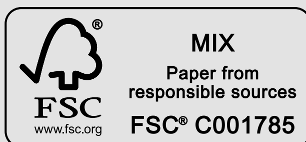
SKU (Stock Keeping Unit) is defined as the number of individual variants of products sold or remaining in stock. It is a distinct type of item for sale, such as a product and all attributes associated with the item type that distinguish it from others. These attributes could include, but are not limited 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).

Underlying pre-tax profit is used to report the performance of the underlying business at a Group level, including the sustainable benefits of our transformation programme. This is stated before the short-term costs associated with our transformation programme, exceptional items and FFVR.

UK & Ireland consists of B&Q in the UK & Ireland and Screwfix UK.

Kingfisher is included in two socially responsible investment indices this year, the Dow Jones Sustainability Index (DJSI) and FTSE4Good. We also participated in the Carbon Disclosure Project's (CDP) Climate and Forests questionnaires in 2016.



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Designed and produced by Black Sun Plc www.blacksunplc.com

Photography

Douglas Fry, Piranha Photography:
Pages 1, 12, 30, 47, 48, 49, 52, 60, 64, 66

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castorama

SCREWFIX