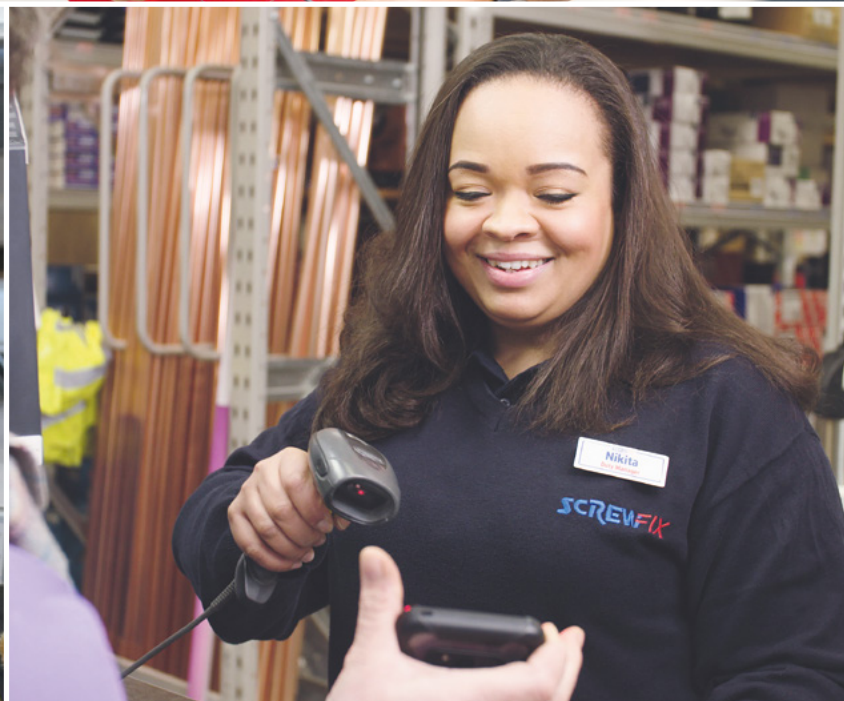


Kingfisher

2019/20 annual report & accounts



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Operating safely during Covid-19

Kingfisher stores are operating with strict social distancing and safety measures to protect customers and colleagues. Read more about this on pages 11 to 15.



Kingfisher at a glance

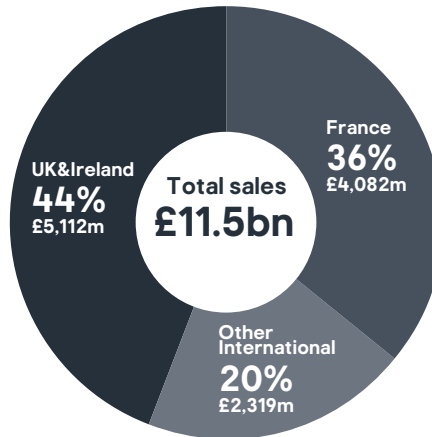
Kingfisher plc is an international home improvement company with over 1,350 stores in nine countries across Europe. We operate under retail banners including B&Q, Castorama, Brico Dépôt, Screwfix, TradePoint and Koçtaş, supported by a team of 77,000 colleagues.

We offer home improvement products and services to consumers and trade professionals who shop in our stores and via our e-commerce channels. At Kingfisher, our purpose is to make home improvement accessible for everyone.

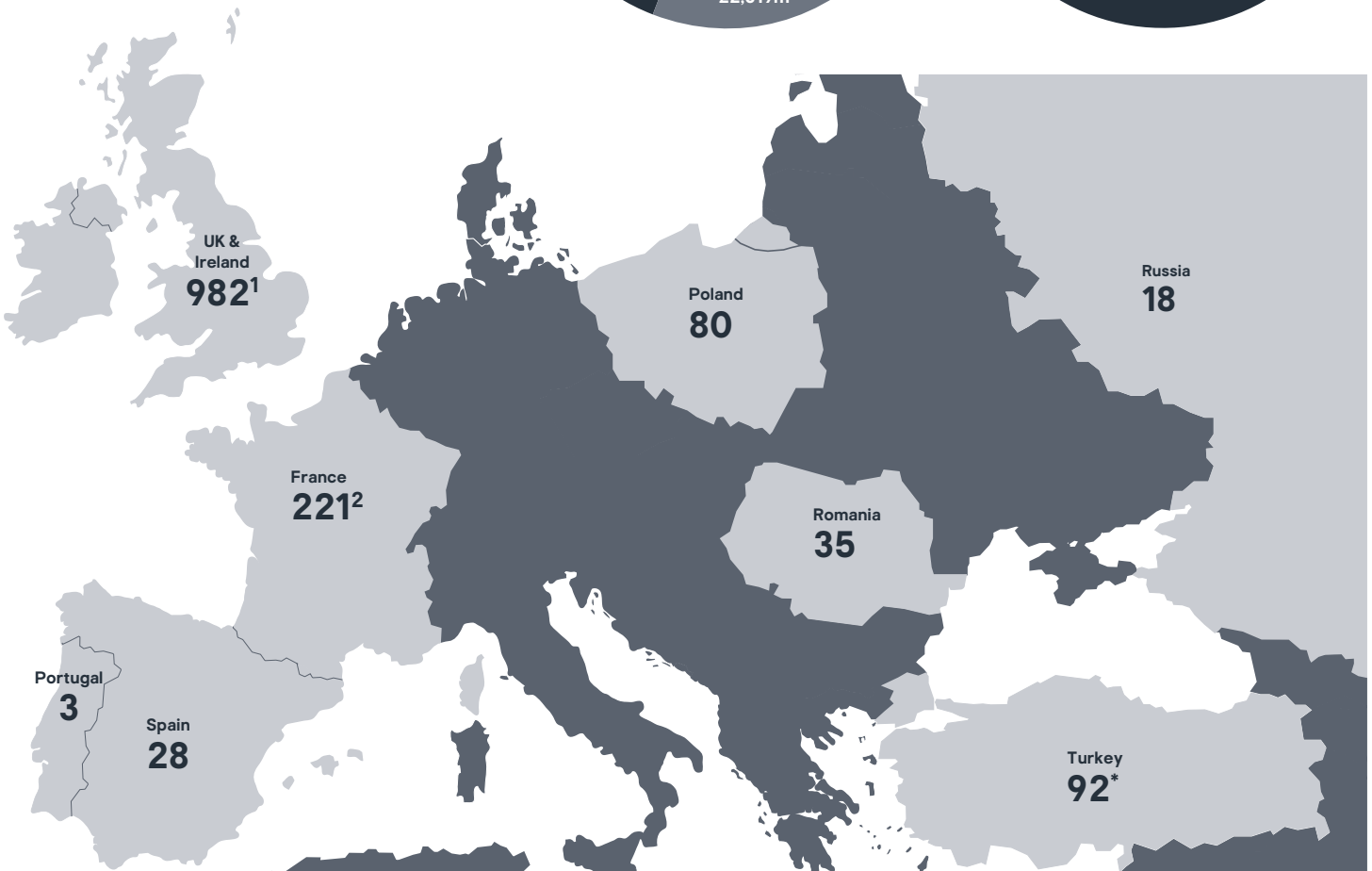
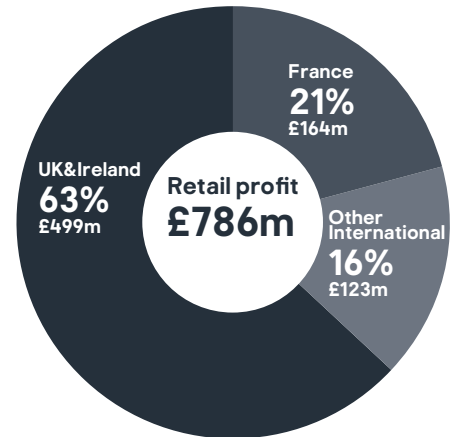
1,367*
stores

77,000†*
colleagues

Total sales³



Retail profit^{3,4,5}



All figures on this page relate to the year ended 31 January 2020.

1. B&Q UK & Ireland 296. Screwfix UK & Ireland 686.
2. Castorama 100. Brico Dépôt 121.
3. Financial Key Performance Indicator (KPI). For prior year comparison, see the Financial Review on pages 28–35.
4. Alternative Performance Measure (APM). See the glossary for definitions of APMs.
5. Retail profit including reallocation of Transformational P&L costs – refer to note 2 of the consolidated financial statements.

* Turkey joint venture not consolidated.

† Total, not full-time equivalent.

Financial highlights and key performance indicators (KPIs)

For the year ended 31 January 2020

Sales		Gross profit / margin	
£11,513m	(1.5)%	£4,255m	37%
(0.8)% ¹	LFL ⁵	(0.8)% ¹	flat ¹
Retail profit⁵ / margin		Adjusted profit	
£786m²	6.8%	Pre-tax⁵	Post-tax⁵
(3.9)%¹	(20)bps¹	£544m³	£400m
		(5.2)%	(5.0)%
Statutory profit		Basic earnings per share (EPS)	
Pre-tax	Post-tax	Adjusted⁵	Statutory
£103m	£8m	19.1p	0.4p
(65.7)%	(95.9)%	(3.5)%	(95.6)%
Free cash flow⁵		Net debt⁵	
£191m		£2,526m⁴	
(FY18/19: £372m)			
Leverage		Return on capital employed (ROCE)⁵	
2.0x		8.6%	
net debt to EBITDA⁵		flat	

1. Variance in constant currency.

2. Retail profit including reallocation of transformation P&L costs – refer to note 2 of the consolidated financial statements.

3. Before exceptional items, lease FX, related tax items and tax on prior year items.

4. Includes £2.6 billion lease liabilities under IFRS 16 in FY 2019/20 (FY 2018/19: £2.6 billion).

5. Alternative performance measure (APM). See the glossary for definitions of APMs.

Chairman's statement

The coronavirus pandemic (Covid-19) presents a huge challenge to us all and is raising some big questions about our society, our values and how we live our lives. Some things though have had their importance reinforced during the crisis. The need to look after each other, the virtue of compassion and the value of adaptability and teamwork. These human qualities have been on daily display in the media over the last few difficult months and they have been very much in evidence too at Kingfisher, where the good natured resolve and tireless efforts of our colleagues has been quite remarkable.

Before I go any further I must pause then and pay tribute to each and every one of my Kingfisher colleagues across every part of our business for all they are doing to help the company, and our communities, through these dark days. You have been an inspiration. Thank you.

At the onset of Covid-19 we quickly established a set of priorities:

- protect customers and colleagues.
- support the governments and health authorities.
- minimise the financial impact on the business.

In most of our markets Kingfisher stores were designated as 'essential'. In some markets we nevertheless took the decision to close, partially or wholly for a period of several weeks. In all markets we worked rapidly to develop new operating practices that would allow us to operate our stores safely for colleagues and with respect to social distancing protocols.

We have also taken significant actions throughout the business to reduce costs and protect cash, in part supported by governments. In addition to our current cash balance we have put in place further liquidity arrangements, including support from the UK and French governments, which today give us access to total liquidity of over £3 billion. Overall, the operational and financial actions we have taken give us a sound footing to see us through the current crisis and beyond. In light of the unprecedented uncertainty caused by Covid-19 the Board is not proposing a final dividend for the 2019/20 financial year. The Board intends to consider the appropriateness, quantum and timing of future dividend payments when it has a clearer view of the scale and duration of the impact of Covid-19 on the business.

Even before the virus outbreak, the past year had been one of significant change for Kingfisher. During the year, the Board agreed to start a succession process for the Chief Executive Officer (CEO), and I am delighted that Kingfisher was able to appoint Thierry Garnier as CEO in June 2019. He formally took over the role from Véronique Laury in September 2019. Thierry is a highly experienced international operator, who spent over 20 years at Carrefour, leading large-scale operations and successful change-management strategies in France, South America and Asia.

Thierry's early assessment was that we had not found the right balance between the benefits of group scale and local expertise. We were suffering from organisational complexity with multiple large-scale initiatives running in parallel. Thierry and his team took swift action to stabilise trading and the effects of these initiatives were evident in better like-for-like sales in the fourth quarter of the 2019/20 year, and in February of the current financial year (before any Covid-19 related impacts).

Kingfisher is a strong business, with a significant freehold property portfolio and a well-funded pension scheme.

Over the past four years we have improved our buying efficiencies and new product development capabilities. The management team's plan, beyond Covid-19, is to build on these foundations by pursuing strategies specific to each retail banner, supported by Group initiatives where that makes sense.

Turning to our financial results for the 2019/20 year, total sales were down 0.8% in constant currency at £11.5 billion, with like-for-like sales growth in Screwfix (UK), Poland and Romania offset by weaker sales at B&Q, France, Russia and Iberia. (See the trading review by division on pages 26 to 27).

Adjusted pre-tax profit was down 5.2%, to £544 million, in line with sales performance. Statutory pre-tax profit was £103 million largely reflecting property-related exceptional items of £441 million. These principally related to impairments of our store property portfolio and the value of our business in Russia as well as previously announced store closures. (See the financial review on pages 28 to 35).

Kingfisher is a responsible business with a strong heritage, but we know there is more that we can do. Towards the end of the year, we developed our new Responsible Business plan. The Board and I are confident that our four new priorities, underpinned by our Responsible Business fundamentals, will continue to drive Kingfisher's leadership position in these areas of ever-increasing importance. For the first time ever, this year we have also agreed Responsible Business metrics to be part of colleagues' annual reward targets. A Responsible Business Committee has been established, chaired by non-executive director, Sophie Gasperment. Read more about this on pages 22 to 25.

In addition to Véronique's departure, Karen Witts stepped down from the Board and I would like to thank both for their hard work. Anders Dahlvig, Pascal Cagni and Clare Chapman also stepped down from the Board during the year as planned and in line with recommended nine-year tenure for non-executive directors. I thank all of them for their valuable contributions. I'm pleased to say that, following a comprehensive search for Karen's successor, Bernard Bot was appointed to the Board as the Group's new Chief Financial Officer (CFO) in October 2019. We continue to consider the composition and skills of the Board in line with our Board skills and experience matrix, and further details regarding our succession planning processes are set out on page 59.

During the year, Dr. Tracy Long of Boardroom Review conducted an independent effectiveness review of the Board, its committees, and individual directors. An overview and key findings from the review are set out on page 55. To assist the Board to monitor and assess the company's culture and values, a culture dashboard has been developed to provide Directors with visibility regarding the company's performance against key internal metrics that are considered to be insightful in the context of Kingfisher's culture. You can read more about this on page 55.

Our new Kingfisher Colleague Forum (KCF) was formed during the year to share information and ideas between colleagues and executive management. A non-executive director and the CEO attend all bi-annual meetings of the KCF. The Board receives feedback from the KCF meetings on a regular basis.

Andrew Cosslett
Chairman

Chief Executive Officer's statement

For over 20 years I have had a great passion for retail, for retail teams, and for understanding and addressing changing customer behaviours. Since joining Kingfisher in September 2019, I have been to all our major markets, visiting stores, talking to our colleagues and to our customers and our suppliers. I have been very impressed by what I've seen, particularly the passion, knowledge and loyalty of our colleagues, and it is a privilege for me to be part of this team. The way our people have responded in the coronavirus pandemic (Covid-19) makes me appreciate that even more.

Throughout the Covid-19 crisis, our priorities have been clear – to provide support to the communities in which we operate, to look after our colleagues as a responsible employer, to serve our customers as a retailer of essential goods, and to protect our business for the long-term. At Kingfisher, we are both proud of and inspired by the way in which our teams responded to the immense challenges of the last few months. When the various lockdowns began, we rapidly transformed our operations to meet a sharp increase in e-commerce, while adapting our retail space and processes to ensure a safe reopening of stores. In doing so, the social distancing and other health and safety protocols we established have contributed to setting the standard in non-food retailing. We have donated over £2.5 million of personal protective equipment (PPE) to frontline health workers, in line with our commitment to responsible business practices. We have also taken significant actions on costs and cash management that give us a strong financial footing through the crisis and beyond.

On joining the business in late September 2019 my priorities were to build the executive team, stabilise our operational performance and prepare a new plan. In total, we have made seven appointments to the Group Executive team since September and the team is now complete. These are all very experienced leaders from major international companies, and I am confident we now have a team with a strong mix of experience from Kingfisher, from other home improvement companies, as well as other retail and service industries.

In terms of trading performance, we ended the 2019/20 financial year in better shape, after a disappointing first nine months, by returning the Group to positive like-for-like (LFL) sales growth in the fourth quarter (Q4), as well as for the start of the 2020/21 financial year. In the first quarter of the current year Group LFL sales were down 24.8%. While trading up to 14 March continued the positive trends seen in Q4 of last year, the balance of the quarter saw significant impact from Covid-19-related disruption. We quickly adapted our operating model driving strong e-commerce growth, supported by a phased reopening of stores in the UK and France from mid-April. This drove an improving relative sales trend and in the second quarter (to 13 June 2020), Group LFL sales were up more than +25% since the second week of May. However, given the continued impact and uncertainty of changes in the magnitude and duration of Covid-19, no specific financial guidance has been provided for the 2020/21 financial year.

While the coronavirus crisis has obviously shifted our immediate priorities, we have continued to plan for the longer term and implement our new strategic plan. It would be a mistake not to. Kingfisher is well positioned within a home improvement market that is resilient and has attractive long-term growth prospects. We have strong market positions and distinctly positioned retail banners that address diverse customer needs. These are major strengths in a world that is so volatile and uncertain.

Our clear intent is to become a more digital and service orientated company, using our strong store assets as a platform. We will continue to develop our own exclusive brands as a differentiator, cater for diverse local customer needs, and each retail banner will have its own positioning and plan. We will 'power' these banners as a Group. This is our new strategic direction, 'Powered by Kingfisher'.

We will rebalance local and Group responsibilities, with the overall aim of enabling our retail banners to have flexibility and agility to address specific needs in local markets.

Our key strategic priorities under 'Powered by Kingfisher' are as follows:

1. 'Focus and fix' in 2020 (including managing the impact of Covid-19 on the business)
2. Move to a balanced, simpler local-group operating model with an agile culture
3. Grow e-commerce sales
4. Build a mobile-first, service orientated customer experience
5. Differentiate and grow through own exclusive brands (OEB)
6. Test new store concepts and adapt our store footprint
7. Source and buy better, reduce our costs and our inventory
8. Lead the industry in Responsible Business practices

Through the implementation of this plan we are focused on growth and creating shareholder value, with the following financial priorities:

- Prioritise sales growth in all retail banners
- Drive benefits from buying, sourcing and product development
- Focus on operational efficiency, simplifying the organisation and reducing associated cost
- Focus on growing retail profit
- Reduce 'same-store' inventory

Read more about our new plan on pages 5 to 10.

The coronavirus crisis has provided us with the most unexpected test of these plans, while really pushing our capabilities as a business. The results have reinforced our strategic direction, demonstrated how our operations and teams can be agile, and pushed us to be bolder. Together, we look to the future with confidence and are committed to returning Kingfisher to growth.

And finally, I would like to take this opportunity to thank all of Kingfisher's colleagues for the difference they make for our customers on a daily basis and for their hard work and dedication, never more evident than during the Covid-19 crisis.

Thierry Garnier
Chief Executive Officer

Group update

(including new 'Powered by Kingfisher' strategic plan)

Overview

Our markets are growing and changing

The home improvement market is attractive with consumers remaining passionate about improving their homes. Long-term market drivers are healthy due to population growth, urbanisation and an ageing housing stock, and we expect our core markets to grow. There are also clear shifts within the market which provide us with opportunities, some of which are rapid such as online growth, and some of which are gradual such as smaller format stores, discounters and the growth of DIFM ('do it for me'). Kingfisher's strategy must address these, including the acceleration of online shopping (but with stores at the centre) and a shift to smaller format stores. Customers also expect a seamless and convenient shopping experience, high quality products, excellent value for money, and expertise and services to help them realise their projects.

We have leading and distinct retail banners

Our retail banners occupy number one or two positions in our key home improvement markets of the UK, France and Poland, with over 90% brand awareness. Each banner is distinctly positioned and together they address diverse customer needs, and have distinct operating models. Some are focused on trade (Screwfix, TradePoint at B&Q), others address more general DIY needs (B&Q, Castorama France, Castorama Poland, Brico Dépôt Romania, Koçtaş), while Brico Dépôt France and Brico Dépôt Iberia are positioned as discounters. This differentiation is a major strength, especially in a world that is volatile and uncertain.

We have operational strength and flexibility

Kingfisher has many strengths today, underpinned by experienced and skilled colleagues, a strong focus on responsible business practices and the financial scale of the combined Kingfisher Group.

Kingfisher is a multiformat retailer with over 1,350 stores. Approximately 40% of our total store estate by space is freehold which provides operational and financial flexibility. In addition, our leased stores have relatively short lease lengths providing flexibility as we test new concepts and reshape our footprint to reflect the increasing customer need for convenience and immediacy.

Four years of established Group capabilities

Over the last four years Kingfisher has leveraged its collective buying and sourcing scale (c.£7 billion of cost of goods sold (COGS)) to drive buying efficiencies and cost price reduction. Our price positioning has improved at Castorama France and B&Q. In addition, own exclusive brands (OEB) have been developed to differentiate us from our competitors and drive sales and gross margin growth, which has been evident in several categories. We have established a common SAP platform to support operational efficiency. The business has also achieved over £100 million of savings from Goods Not for Resale (GNFR) and operating efficiency initiatives, and established a shared services centre in Poland.

We have become overly complex and lost customer focus and sales

However, our operating model had become overly complex. The Kingfisher Group took on too many responsibilities, the business became overly product-led instead of retail-led, and we tried to do too much with multiple large-scale initiatives running in parallel. Altogether, this resulted in a lack of agility in meeting customer needs (some of which are shared, some of which are very different across our retail banners) and caused disruption to sales. Much of the financial benefit from leveraging Kingfisher's collective scale has been offset by additional costs, clearance, and logistics and stock inefficiencies. While some of our banners have delivered growth over the last four years (notably Screwfix and Poland), in other markets such as France, our performance has been disappointing. Group sales and retail profit need to improve.

'Powered by Kingfisher' – Committed to returning the business to growth

Under our new strategic plan, 'Powered by Kingfisher', we will utilise our core strengths and commercial assets, and 'power' our distinct retail banners in order to address the significant growth opportunities that exist within the home improvement market, returning the business to growth. To serve customers effectively today, we also need to be digital and service orientated, while leveraging our strong store assets.

Our priorities under the new strategic plan: 'Powered by Kingfisher'

Our key strategic priorities under 'Powered by Kingfisher' are as follows:

1. 'Focus and fix' in 2020 (including managing the impact of Covid-19 on the business)
2. Move to a balanced, simpler local-group operating model with an agile culture
3. Grow e-commerce sales
4. Build a mobile-first, service orientated customer experience
5. Differentiate and grow through own exclusive brands (OEB)
6. Test new store concepts and adapt our store footprint
7. Source and buy better, reduce our costs and our inventory
8. Lead the industry in Responsible Business practices

Following the appointment of Thierry Garnier as CEO in late September 2019 the business identified a number of **immediate priorities** ('Focus and fix' in 2020) for the Group, starting with building the new Group Executive team. These priorities are detailed on the following pages and underpin the implementation of our new strategic plan.

Our **medium-term priorities** under the new plan – numbers 2 to 8 – are also detailed on the following pages, centred around empowering our distinct retail banners and simplifying Kingfisher's operating model, embracing digital and own exclusive brands, and returning the business to growth. In 2020, the outbreak of Covid-19 rapidly became the most critical issue facing our business. Managing the impact on our business is therefore our top priority. As a result of this, we are continuing to keep the timing of investments under review in some of the medium-term priorities detailed in numbers 2 to 8, based on the needs of the business.

Group update (including new ‘Powered by Kingfisher’ strategic plan) continued

1. ‘Focus and fix’ in 2020

Managing the impact of Covid-19: We are committed to supporting communities and governments in managing the Covid-19 pandemic. Equally, we are focused on making sure that we can continue to serve our customers’ essential needs safely and as effectively as possible, while fulfilling our obligations as a responsible employer to protect the safety of colleagues. From the start of the outbreak, we have taken measures to protect our colleagues and customers, to limit the impact on profitability and to preserve financial flexibility.

Build the new Group Executive team: Since the appointment of Thierry Garnier as CEO in late September 2019, we have rebuilt the Group Executive team including seven additional appointments. We now have an experienced team with a strong mix of functional expertise as well as experience from Kingfisher, other home improvement companies and the broader retail and service industries.

Kingfisher’s Group Executive team

Thierry Garnier*	Chief Executive Officer
------------------	-------------------------

Functional

Bernard Bot*	Chief Financial Officer
Martin Lee*	Chief Supply Chain Officer
Kate Seljeflot*	Chief People Officer
Henri Solère	Chief Offer and Sourcing Officer
Jean-Jacques Van Oosten*	Chief Customer and Digital Officer
John Wartig*	Chief Transformation and Development Officer

Operating companies

Graham Bell	CEO B&Q UK and Ireland
Sebastien Krysiak	CEO Poland
John Mewett	CEO Screwfix
Alain Rabec*	CEO France
Adela Smeu*	CEO Romania

* Recent appointments to the Group Executive.

Operational improvements in France: As outlined at the half year results in 2019/20 we have been working on initiatives both at Group and local level to improve Castorama France’s IT platform, and the effectiveness of its operational processes and fulfilment function. We have paused the further rollout of the unified IT platform at Brico Dépôt to prioritise improvements at Castorama France. In addition, the supply chain and logistics team in France has been reorganised, including the recruitment of several key new people within the team. The team now has more local autonomy to manage the business needs and requirements of the French banners. Whilst there is still much to do, not least our ongoing response to the coronavirus crisis as noted above, the overall performance of our supply chain and logistics operations in France is improving. In the fourth quarter (Q4) of 2019/20 this resulted in better stock availability, a significant reduction in slow-moving stock, an improved customer experience and, according to *Banque de France* data, a narrowing of our sales performance versus the market (as compared to the margin of underperformance versus the market in the first nine months of the 2019/20 financial year). Alain Rabec, a highly experienced retailer, was appointed CEO of France in late September 2019, and is driving our

initiatives to improve both operational performance and our long-term customer propositions for Castorama and Brico Dépôt.

Implement our new trading approach: We have established a commitment to address the diversity of our customers’ needs, and offer consistently excellent value for money. In Q4 2019/20 we trialled a series of promotion-based trading events in our major retail banners, and commenced targeted price investments at Screwfix. We were pleased with the customer response, helping to drive a better like-for-like sales performance in Q4 2019/20 and re-engage with our customers. We will continue to give our banners freedom to engage with customers and drive sales. In addition, we recognise that expertise and services are important for some customers and are in the process of trialling or relaunching new service propositions in all our banners, including showroom installations at B&Q.

Rebalancing local vs Group responsibilities: We are establishing the right balance between Kingfisher Group and local levels, with the overall aim of enabling our retail banners to have flexibility and agility to address specific needs in local markets.

Enabling e-commerce from stores: In leading e-commerce markets, stores are back at the centre of the e-commerce proposition. Stores provide support for the significant proportion of retail online orders picked in stores and fulfilled through click & collect, in-person returns, and fast delivery. Kingfisher, with over 1,350 stores, is therefore very well positioned to address the clear e-commerce opportunity. This area of focus supports the broader e-commerce priority described in detail below and, through necessity, has been successfully accelerated by the onset of the coronavirus crisis.

Pause or stop some initiatives: To ensure greater customer focus, from October 2019 we started to pause or stop several Group-wide initiatives. For example, we significantly reduced the level of planned range change for the 2020/21 year, based on our prioritisation of customer needs. Subject to ongoing demand planning during the coronavirus crisis, we plan to continue rolling out our new kitchen ranges in due course, completing the implementation at B&Q and commencing in France and Poland. However, non-critical range changes have been stopped. Similarly, we have stopped non-critical IT projects, and paused certain elements of our global SAP rollout (for example, at Brico Dépôt France), while we prioritise Castorama France.

In November 2018, Kingfisher announced the decision to exit Russia and Iberia. In relation to Russia, whilst there has been some disruption to the exit process from the coronavirus crisis, we continue to make progress and discussions with several interested parties are ongoing. In relation to Iberia, whilst there has been interest in the business, we have reviewed the original decision to exit Iberia and believe we can build a profitable, sustainable business under the Brico Dépôt banner. In normal business conditions, the business is profitable and not a burden on group resources (capital or management).

Accelerate cost reduction: Due to the significant number of change initiatives over the last four years as well as our complex organisational structure, Kingfisher’s overhead cost base has become too high, both in absolute terms and relative to Group sales. We believe that there are significant cost reduction opportunities across

Kingfisher, many of which are noted in the medium-term priorities described below. The coronavirus crisis has underscored the need to accelerate our plans in this area and address the opportunity to become simpler, leaner and more agile.

2. Move to a balanced, simpler local-group operating model with an agile culture

We believe that striking the right balance between Group and local responsibilities sets the right conditions for our distinct retail banners to thrive. This will enable them to continue leveraging the Group's scale and expertise to meet customer needs that are similar across markets, whilst allowing them to focus on those needs that are different. This includes establishing stronger feedback loops for range-building, as well as individual trading plans. Initial steps have been taken to move towards this operating model, as evidenced within our fourth quarter 2019/20 results and in the 2020/21 year to date. Moreover, the agility and rapid progress demonstrated by Kingfisher during the coronavirus crisis is testament to the move towards this approach, supported by a Group-wide culture of focus, intensity and 'done is better than perfect'.

Our conviction is that each of our retail banners addresses the often different needs of customers. Each banner has a differentiated business model, and by respecting these differences we will maximise their potential. Each banner needs the right product range, its own commercial approach, and services that meet their customers' needs. The development of banner-specific plans is ongoing, including a strong focus on ensuring we maximise the growth opportunity at Screwfix and re-establish a strong customer proposition in Castorama France.

Kingfisher's scale, used intelligently, is an important source of competitive advantage. Kingfisher has well-established Group capabilities in own exclusive brand (OEB) development, buying and sourcing, technology, and shared services. However, as described above, Kingfisher's organisation is too complex. It needs to be simpler, leaner, more agile, open to partnerships, and even more customer-focused. We will continue to adapt the operating model so that Group functions are set up efficiently to 'power' growth in our retail banners, providing:

- **Differentiated own exclusive brands (OEB)**, which are innovative and provide a key source of differentiation
- **Sourcing & buying**, delivering lower cost prices across all products (OEB and brands)
- **Technology & partnerships**, providing all our banners with access to the best technologies and complementary partnerships
- **Shared services** and lower cost functions
- **Centres of excellence**, to set strategy and targets, to share knowledge and best practices, to support implementation, and to help steer progress. Centres of excellence include e-commerce, digital journey, data, store concepts, services and service platforms, and supply chain
- **Culture & values**, providing a framework for our core behaviours, values, and industry-leading responsible business practices

3. Grow e-commerce sales

Over the past five years, the home improvement industry has seen an acceleration of online shopping and consumption. However, this industry has more defences against online pure players than many other retail segments. Visualisation and inspiration, the need for advice, immediate access to product (especially for trade customers) and often complex and expensive delivery requirements mean that penetration varies by product category. As a result, there is a higher online propensity in categories such as tools, electricals, plumbing, heating and cooling, and garden/outdoors, but a lower propensity in categories such as kitchens, bathrooms, construction and paint.

As noted above, stores are back at the centre of the e-commerce proposition in many of the world's leading e-commerce markets. Stores provide support for the significant proportion of retail online orders picked in stores and fulfilled through click & collect, in-person returns, and fast delivery. Kingfisher, with over 1,350 stores, is therefore very well positioned to address the clear e-commerce opportunity. Through necessity, during the coronavirus crisis we rapidly transformed our operations to meet a material increase in online transactions through our click & collect service, with considerable success. Home delivery from some of our stores was also quickly introduced to meet our customers' needs.

In the 2019/20 year, e-commerce sales accounted for 8% of Group sales (2018/19: 6%), more than double the penetration level in the 2015/16 year. Click & collect is our largest and fastest growing channel at a Group level, growing by 24% in 2019/20 and accounting for 62% of e-commerce sales (47% excluding Screwfix). Screwfix's industry-leading omnichannel capability has helped drive e-commerce sales penetration at this business to 33% in the 2019/20 year.

E-commerce sales penetration at our other banners was c.3% on average in 2019/20, which is not commensurate with their brand recognition and scale of their physical footprint. In 2019/20 we had over 900 million web visits across all our retail banners, with the highest conversion to transactions seen at Screwfix. However, our overall conversion rate was too low, and we have significant opportunities to increase conversion and e-commerce sales.

We will achieve this through a combination of:

- **Shifting to store-based picking and fulfilment as a priority**, redesigning the store operating model accordingly to enable a more efficient delivery and click & collect network, with specific categories delivered from fulfilment centres (FCs)
- **Developing efficient last-mile delivery from stores**, enabling faster fulfilment capability
- **Prioritising rollout of the Group's digital technology stack**, enabling more efficient and agile digital capabilities, supported by a more balanced local-Group operating model for IT
- **Exploring use of e-commerce marketplaces**, with common technology and vendor management, but tailored customer propositions by retail banner

Jean-Jacques Van Oosten, a highly experienced e-commerce retailer, was appointed Chief Customer and Digital Officer in January 2020, and is driving the development of our e-commerce strategy and overall ambition in this area.

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

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

We intend to make it easier for customers to shop with us by building a mobile-first, data-led and service orientated customer experience.

More than ever, mobile is at the centre of our customers' home improvement journeys and experiences, from the point at which their initial needs emerge, all the way through to purchase, delivery, building and installation. Mobile already accounts for 46% of Kingfisher's digital traffic, and we believe will remain the focal point of the end-to-end customer journey and experience. Through our mobile-first approach we will make it easier for customers to shop online and in-store.

We will leverage customer data and analytics to personalise content and offers, while considering partnerships.

We also aim to provide customers with a more compelling and complete services offer, including in-store services (e.g. paint mixing, timber cutting), visualisation tools, installation services and consumer credit. We are exploring the development of service platforms to provide a wide range of services for customer projects and the ability to link customers with trade professionals online. We will also explore strategic partnerships to accelerate development.

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

Over the last four years, Kingfisher has consolidated its offer development and product sourcing capability using its collective scale. Through product unification, rationalising the number of SKUs and suppliers, Kingfisher has driven cost price reduction. The organisation has also developed its own exclusive brand (OEB) development and sourcing capability, which brings innovation to Kingfisher's customers across seven core categories – surfaces & décor, tools & hardware, bathroom & storage, kitchen, EPHC (electricals, plumbing, heating & cooling), building & joinery, outdoor.

In the 2019/20 year, 63% of product ranges (COGS) were unified, with the sales and gross margin % from unified ranges growing and outperforming non-unified ranges. OEB represents 39% of Group sales, with the balance including local, national and international brands as well as unbranded products.

OEB provides a strong point of differentiation for Kingfisher in terms of design, functionality and value for money, as well as providing us with a higher gross margin opportunity. There have been some notable successes with categories such as bathroom furniture, hand tools and workwear delivering sales growth and improved margins across the Group.

We aim to grow our proportion of sales which are OEB, bringing innovation to our ranges. With the right operating model, our Offer & Sourcing organisation and OEB product development will be a significant source of value for our retail banners and their customers, working closely to provide product differentiation and cost price reduction. We aim in parallel to simplify our OEB development approach to bring new products to market more quickly, supporting profitable sales growth.

At the same time, international and local brands remain important for our customers. It is therefore critical that strong feedback loops are set up between local markets and the Group as ranges are built. In several cases, Group scale has been prioritised over local customer needs. We need to change the balance between Group and our banners and make sure that we introduce the brands that our customers are looking for in each of our markets.

6. Test new store concepts and adapt our store footprint

We firmly believe that the role of the store is integral to long-term success in retail. Our 1,350+ stores are key to delivering a seamless customer experience, whether goods are purchased in-store or via click & collect or, for home delivery. Customers use our stores for inspiration and visualisation, advice and design services, immediate access to product and in-person returns. Stores also enable customers shopping for projects (e.g. kitchen and bathroom) to purchase products across multiple categories.

However, we must adapt some of our stores to changing customer demands to make sure that they consistently provide a good customer experience, are an excellent source of advice and knowledge, are integrated with e-commerce, and allow for quick fulfilment where required. We will develop more compact stores, experiment with innovative store formats, and explore partnerships including 'shop-in-shop', concessions and franchising.

Kingfisher is a multiformat retailer with over 600 mid and big-box stores (excluding Screwfix). Approximately 40% of our total store estate by space is freehold which provides operational and financial flexibility. For stores that are leased, our weighted average unexpired lease term (WAULT) for the Group of seven years is relatively short, again providing flexibility as we shape our footprint to reflect the increasing customer need for convenience and immediacy.

In the 2019/20 year we generated cash proceeds of £188 million through a combination of sale and leasebacks and freehold sales. We will manage our existing store portfolio actively with a greater focus on achieving lower property costs and higher sales densities, while accelerating new store concept trials.

7. Source and buy better, reduce our costs and our inventory

Although the Group has achieved cost price reductions through collective sourcing arrangements over the past four years, we believe that we can extract further value from buying and sourcing through the intelligent use of our scale. This will be a continued area of focus for Kingfisher.

Due to the significant number of change initiatives over the last four years as well as our complex organisational structure, Kingfisher's costs and inventory levels have become too high, both in absolute terms and relative to Group sales.

As described above, we believe that there are significant cost reduction opportunities across Kingfisher – in areas such as goods not for resale (GNFR), store operating efficiencies, property costs (including lease renegotiations), supply and logistics, and central costs, all of which will benefit from reduced organisational complexity. Work is underway to validate and measure these opportunities, including the capital and one-off expenditure required to achieve these savings, balanced against cost inflation and the future investment requirements of our business.

Reducing inventory levels and improving inventory turn is also a major priority for the Group. Our net inventory (including amounts classified as held for sale, relating to our business in Russia) in constant currency has increased in value by £0.5 billion (or 23%) to £2.6 billion over the last four years, while Group total sales in constant currency over the same period has been flat at £11.5 billion. The increase of inventory largely reflects the change in Kingfisher's sourcing model, store expansion in Screwfix and Poland, and inefficiencies within our supply chain, notably in France. We have a plan in place to reduce 'same-store' inventories over the medium term through a combination of better planning and forecasting, alignment of display principles, and consolidation of slow-moving product.

8. Lead the industry in Responsible Business practices

Kingfisher has been taking the lead on responsible business for over two decades – from our first responsible timber sourcing policy over 25 years ago, to our leadership on the circular economy as founding partners of the Ellen MacArthur Foundation.

We are committed to doing everything we can to make a positive impact on society so that our customers' homes and wider communities can flourish. During 2020, this commitment has helped shape our response to the coronavirus crisis, which presents an unprecedented challenge to society, to businesses, and to all our colleagues, customers, suppliers and other stakeholders. We will continue to play our part in addressing the global challenge of climate change and supporting many of the people across Europe living in homes that are unfit – too small, too dark, too cold and too damp.

In Q4 2019/20, we revisited our Responsible Business strategy and identified four key priorities, where we can use our experience, scale and influence to go even further in bringing about positive change:

- **We will be an inclusive company**, breaking down barriers to employment and progression, and by providing five million hours of learning by 2025 through our 'skills for life' programme. We will also have inclusivity action plans in place for all our businesses by the end of the 2020/21 year, and have targeted improved gender balance in management.
- **We help make greener, healthier homes affordable.** We are aiming for 50% of our total group sales in 2020/21 to come from products that help our customers create greener, healthier homes.
- **Fight to fix bad housing**, by helping more than one million people whose housing needs are greatest by 2025.
- **We will help tackle climate change and create more forests than we use**, delivering 100% responsibly sourced wood and paper in all the products we sell by the end of 2020/21, becoming 'forest-positive' by 2025 through supporting reforestation projects from 2021 and achieving our approved science-based carbon reduction targets as previously committed.

For the first time, in the 2020/21 year, an element of Kingfisher's employee bonus plan will be linked to performance against Responsible Business measures.

These four priority areas are underpinned by our Responsible Business fundamentals – the many issues and impacts that we need to measure and manage to ensure we continue to operate responsibly across our business – from ethical sourcing and human rights, to health and safety and waste and recycling.

We are improving our governance with a new Responsible Business Committee (RBC), reporting to Kingfisher's Board of Directors. The RBC is a committee of the Board, meeting at least twice a year, chaired by Sophie Gasperment, a non-executive director (NED) of the Board. The RBC also includes the Group CEO, one more NED, our Chief Offer & Sourcing Officer, and our Chief People Officer.

We also continue to feature prominently in key investor indices and score highly with ESG (Environmental, Social and Governance) rating agencies including:

- A 'AAA' rating from the MSCI;
- ISS ESG Corporate Rating of B- ('Prime' status);
- Maintaining our 'A-' leadership position in CDP Climate Change; and
- A constituent of the Dow Jones Sustainability Index (DJSI)

Please visit www.kingfisher.com/sustainability for further details.

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

Brexit preparation

Kingfisher's internal Brexit steering committee, in place since the outcome of the UK referendum on EU membership in June 2016, continues to assess the progress and adequacy of the business' contingency planning. We are continuing with our planning throughout 2020 to meet the requirements of either a new trading relationship with the EU or, if no trade agreement is reached, the UK abiding by World Trade Organisation (WTO) rules. We have taken several measures to mitigate delays at the border as far as possible, such as increasing the number of ports used for deep-sea imports and securing access to simplified customs procedures. We will continue with our vendor engagement programme to ascertain their readiness to operate under a hard border with the UK, providing support where needed.

On tariffs, we note the publication of the UK's new Global Tariff (UKGT) in May 2020. In the event that no Free Trade Agreement is reached with the EU, and the UKGT is applied, we expect that EU and non-EU imports would attract an average tariff of c.2% on our products. This would be slightly lower than the current average duty rate for all direct imports into the UK. On people-related matters, there has been no significant impact on either retention or hiring following the referendum. Kingfisher has a low dependency on European Economic Area (EEA) nationals in its UK stores and distribution centres. We will continue to monitor the status of Brexit negotiations, and review and adjust our contingency planning accordingly.

Summary and outlook

2019/20 was a challenging year for Kingfisher and our financial results were disappointing. Thierry Garnier was appointed as CEO in late September 2019 and the Group Executive team has been rebuilt including seven additional appointments. The initial focus in Q4 2019/20 was on improving our operations in France, implementing new trading approaches and recalibrating the balance between Group and local activities. We are encouraged that in Q4 2019/20, and early 2020/21, we delivered improved LFL sales trends.

However, since mid-March 2020 we have been operating in, and responding to, a rapidly changing environment as the Covid-19 outbreak spread and governments and businesses took action to contain its impact. Since the Covid-19 crisis started, our priorities have been clear – to provide support to the communities we serve, to fulfil our obligations to colleagues as a responsible employer, to our customers as a retailer of essential goods, and to protect our business for the long-term.

Despite Kingfisher stores being classified as essential in most of our markets, we took the decision initially to close in-store browsing and purchasing in the UK and France. Following this, we quickly adapted our operating model to help meet customers' essential needs – initially through contactless e-commerce and then through phased store reopenings, whilst in parallel developing safety and social distancing protocols for colleagues and customers which are likely to remain with us for some time. As a result we have seen up to fourfold e-commerce growth since mid-March, and an improving relative sales trend with Group LFL sales moving from -74.0% in the first week of April to more than +25% since the second week of May (to 13 June 2020).

We have also taken significant action to reduce costs and optimise our cash flow to minimise the impact of lower sales on our business and financial performance. We have also put in place c.£1.4 billion of additional liquidity arrangements in order to provide us with further security and headroom.

Overall, the operational and financial actions we have taken give us a sound footing in the current crisis and beyond. However given the continued impact and uncertainty of changes in the magnitude and duration of Covid-19, no specific financial guidance has been provided for the 2020/21 year.

Financial priorities

Our immediate financial priority is to manage the impact of the Covid-19 crisis on our business and financial performance.

Beyond the coronavirus crisis, our new 'Powered by Kingfisher' strategic plan will empower our distinct retail banners, simplify Kingfisher's operating model, embrace digital and own exclusive brands, and return the business to growth.

Through the implementation of this plan we are focused on growth and creating shareholder value, with the following financial priorities:

- Prioritise sales growth in all retail banners
- Drive benefits from buying, sourcing and product development
- Focus on operational efficiency, simplifying the organisation and reducing associated cost
- Focus on growing retail profit
- Reduce 'same-store' inventory

Medium-term capital allocation

We aim to allocate capital, subject to strict returns criteria, to meet the strategic needs of the business. We aim to maintain an investment grade credit rating and, over the medium-term, a target range of 2.0 to 2.5 times net debt to EBITDA (post-IFRS 16).

As announced on 23 March 2020, in light of the unprecedented uncertainty caused by Covid-19, the Board will not propose a final dividend in relation to the 2019/20 year. The Board recognises the importance of dividends to shareholders and intends to consider the appropriateness, quantum and timing of future dividend payments when it has a clearer view of the scale and duration of the impact of Covid-19 on the business.

Managing the impact of Covid-19

Risk management

Following the Covid-19 outbreak in Asia, Kingfisher formed central and retail business crisis committees in January 2020 to monitor and manage risks and impacts of Covid-19. These committees continue to monitor closely the impact on all areas of our business, as well as ensuring publicly available advice is followed and that appropriate safeguards are quickly implemented. From the start of the outbreak, Kingfisher has taken measures to protect its colleagues and customers, to support governments across its markets, to be a responsible employer, to limit the impact on profitability and to preserve financial flexibility.

Supporting our communities and governments

Kingfisher reaffirms its commitment to supporting communities and governments in managing the Covid-19 pandemic. As a responsible retailer we are focused on making sure that we can continue to serve our customers' essential needs as effectively as possible, while protecting the safety of all concerned.

As part of this commitment, in March we ringfenced all remaining stock of personal protective equipment (PPE) and donated it to frontline healthcare workers. Total committed donations to our communities and health authorities amount to over £2.5 million so far. Additional PPE continues to be ordered and as a priority is being donated to health authorities in the countries in which we operate as well as being used to equip our colleagues.

Social distancing and safety measures

Based on government advice, and learnings from internal best practices and major food retailers across Europe, all reopened Kingfisher stores operate under strict social distancing and safety measures to protect customers and colleagues. These include:

- The provision of gloves, visors and masks to colleagues
- Limiting the number of customers in store
- Safe queuing before entering the store
- Sanitiser stations throughout the store
- Floor navigational markers to help enforce social distancing
- Perspex screens at paint mixing and timber cutting stations, in showrooms and at checkouts
- Encouraging contactless or card payments (notwithstanding the legal obligation in some markets to accept cash as payment)

Similar measures are also in place at our distribution and fulfilment centres, and training has been provided to colleagues to help support and implement these changes to their work environment.

In most cases, the measures applied have gone beyond government recommendations in each market. Furthermore, we have set up formal and regular internal audits of the application of health, hygiene and safety rules. To date these measures have been met with strong approval by both customers and colleagues and we continue to both monitor and improve the effectiveness of these on a day-to-day basis.

Supply chain and availability

Kingfisher has global sourcing offices in China, other Asian countries and Europe. Approximately 75% of our total annual cost of goods sold (COGS) is directly sourced from Europe, with the balance sourced from other markets including Asia.

In China, all our vendors' factories have reopened, with capacity rebuilt. The vast majority of orders that were impacted with delays from the initial coronavirus crisis outbreak in China have been shipped and are now in our supply chain. In partnership with our vendors we continue to review and adjust our future order commitments, in line with our evolving demand and operating model.

In Europe, all our vendors have now reopened. The key risks to availability are now driven by exceptional and volatile demand within the paint, outdoor and building materials ranges, where vendors are challenged in keeping up with recent high demand levels. We continue to work closely with our key vendors to speed up production and accelerate our supply chain within these specific categories.

Operational status

Nearly all our 1,368 stores are open for in-store purchasing, under the strict social distancing and safety measures described above.

The operational status in each of our markets as at 13 June 2020 is noted below:

- United Kingdom:

- On 23 March the UK government ordered the closure of all shops selling 'non-essential' goods. Hardware shops were categorised as 'essential', and therefore B&Q and Screwfix were eligible to remain open.
- Despite this, from 23 March, we took the decision to close all B&Q and Screwfix stores to customers for browsing and in-store purchasing while we established safe store operating protocols.
- **B&Q:** To ensure the continued supply of essential goods, from 24 March we progressively introduced a contactless click & collect service for our B&Q customers, alongside a home delivery service. On 17 April we trialled the reopening of 14 B&Q stores, listening to feedback from our store colleagues and adapting our approach as a result. Following the success of this trial we progressively reopened further B&Q stores. Currently, all 289 stores are open. From 22 May we commenced the reopening of kitchen and bathroom showrooms on a phased basis following positive trials in a small number of stores.
- **Screwfix:** For our Screwfix stores, we successfully offered a contactless click & collect service throughout the entire UK lockdown period. In the second week of May we introduced new customer journeys and processes within Screwfix stores, in order to safely restart in-store browsing and purchasing. These were rolled out to most of our 682 Screwfix stores by the end of May.

Managing the impact of Covid-19 continued

– Republic of Ireland:

- From 28 March, all stores in Ireland (eight B&Q and five Screwfix) were closed following the Irish government's lockdown restrictions. Hardware shops were categorised as 'online only', and therefore not eligible to remain open.
- All stores reopened on 18 May, in line with the government's easing of lockdown restrictions as announced on 1 May. Strict social distancing and safety measures have been put in place for all Irish stores.

– France:

- On 14 March the French government ordered the closure of all shops selling 'non-essential' goods during the confinement period, which ended on 11 May.
- Kingfisher's 219 stores in France were categorised as 'essential', and therefore were eligible to remain open during this period. Despite this, to establish safe store operating protocols, from 15 March all 98 Castorama stores and 121 Brico Dépôt stores were closed to customers for browsing and in-store purchasing.
- A contactless click & collect service via 'drive-through' was gradually introduced from 23 March, alongside a home delivery service.
- Home delivery from stores commenced during the third week of April.
- Following consultation with trade union representatives in stores and head offices, from 24 April we started to reopen Castorama and Brico Dépôt stores in phases, initially with a 'self-service' range, and under the strict social distancing and safety measures described above.
- By 11 May (the end of the French confinement period) all stores had reopened, under the same strict measures.

– Poland:

- All 81 stores in Poland remain open, operating under strict social distancing and safety measures.
- In addition to the existing Sunday trading ban, all stores in Poland were temporarily required to close on Saturdays during April. This restriction was lifted on 4 May.

– Romania:

- All 35 stores in Romania remain open, operating under strict social distancing and safety measures.

– Iberia:

- In line with the Spanish government's plan to ease lockdown restrictions, as announced on 28 April, we started reopening our stores to tradespeople from 13 May and to the general public from 25 May, in phases.
- All 28 stores in Spain had previously been closed following the government's declaration of a state of emergency on 14 March. A home delivery service was made available in late March, and a contactless click & collect service for tradespeople was launched in late April.
- Our three stores in Portugal remain open, operating under strict social distancing and safety measures.

– Russia:

- Of our 18 stores in Russia, 12 stores are open and six have partly reopened.
- A contactless click & collect service, and 'click & delivery', is available from all stores.

Trading since 1 February 2020

LFL sales by month¹

Monthly sales	% LFL ² Change			
	Feb 2020	Mar 2020	Apr 2020	May 2020
UK & Ireland	+6.2%	(5.7)%	(43.0)%	+15.5%
France	+8.6%	(52.0)%	(69.0)%	+23.6%
Poland	+11.1%	(13.7)%	(20.4)%	+16.3%
Romania ³	+16.4%	+15.9%	(15.0)%	(14.3)%
Group LFL⁴ incl. leap year	+7.6%	(24.6)%	(49.6)%	+14.3%
Group LFL⁴ excl. leap year	+2.3%			
E-commerce sales⁵	+30.2%	+59.1%	+251.9%	+205.1%

March to June LFL sales by week (to 13 June 2020)¹

Sales: 4 weeks to 28 March 2020	% LFL ² Change			
	March 2020			
	week 1 ^a	week 2 ^a	week 3 ^a	week 4 ^a
UK & Ireland	+2.1%	+8.6%	+37.8%	(42.2)%
France	(0.2)%	+5.6%	(97.7)%	(93.3)%
Poland	+3.6%	+3.7%	(21.7)%	(23.7)%
Romania	+9.1%	(1.3)%	(4.8)%	(47.1)%
Group LFL⁴	+1.5%	+6.4%	(22.9)%	(59.1)%
E-commerce sales⁵	+28.4%	+23.9%	+49.5%	+96.2%

Sales: 5 weeks to 2 May 2020	% LFL ² Change				
	April 2020				
	week 1 ^a	week 2 ^a	week 3 ^a	week 4 ^a	week 5 ^a
UK & Ireland	(70.3)%	(56.1)%	(60.8)%	(23.9)%	(1.6)%
France	(86.8)%	(83.3)%	(77.0)%	(63.1)%	(35.2)%
Poland	(52.0)%	(38.9)%	(42.1)%	+14.5%	(8.8)%
Romania	(48.6)%	(28.4)%	(27.9)%	(5.3)%	+42.4%
Group LFL⁴	(74.0)%	(64.8)%	(64.6)%	(35.6)%	(17.5)%
E-commerce sales⁵	+159.7%	+277.9%	+273.6%	+307.0%	+186.7%

Sales: 4 weeks to 30 May 2020	% LFL ² Change			
	May 2020			
	week 1 ^a	week 2 ^a	week 3 ^a	week 4 ^a
UK & Ireland	+18.9%	+13.3%	+18.2%	+21.5%
France	(18.7)%	+53.7%	+58.1%	+44.2%
Poland	+35.8%	+30.8%	+34.4%	+11.0%
Romania	+16.0%	+27.8%	+37.6%	+34.9%
Group LFL⁴	+2.7%	+25.5%	+30.6%	+26.7%
E-commerce sales⁵	+199.0%	+210.6%	+212.3%	+192.5%

Sales: 2 weeks to 13 June 2020	% LFL ² Change	
	June 2020	
	week 1 ^a	week 2 ^a
UK & Ireland	+26.3%	+29.5%
France	+41.4%	+38.4%
Poland	+11.7%	+0.7%
Romania	+30.2%	+20.3%
Group LFL⁴	+28.7%	+27.7%
E-commerce sales⁵	+207.4%	+211.3%

- This information was not extracted from FY 19/20 financial statements and has not been subject to audit procedures.
- LFL (like-for-like) sales growth represents the constant currency, year on year sales growth for stores that have been open for more than one year. Stores temporarily closed or otherwise impacted due to Covid-19 are also included.
- Kingfisher's subsidiary in Romania prepares their financial statements to 31 December. Their monthly results presented are for January to April, i.e. one month in arrears. The weekly results presented have no corresponding delay.
- Group LFL includes total e-commerce sales. Group LFL also includes Iberia and Russia, and excludes Koçtaş (Kingfisher's 50% JV in Turkey).
- E-commerce sales are total sales derived from online transactions, including click & collect. This includes sales transacted on any device, however not sales through a call centre. E-commerce sales change includes UK & Ireland, France, Poland, and the leap year in February 2020.
- March, April, May and June weekly sales figures are for Sunday-to-Saturday weeks from 1 March 2020 (compared against prior year Sunday-to-Saturday weeks from 3 March 2019). The figures are provisional, and exclude certain non-cash accounting adjustments relating to revenue recognition.

Managing the impact of Covid-19 continued

Up to 14 March (pre-coronavirus lockdown measures)

As previously announced, trading from 1 February up to 14 March (before any Covid-related store closures) continued the positive trends we saw in the fourth quarter of 2019/20, benefiting from operational improvements in France and a new trading approach across the Group, including local trading events.

In February 2020, Group LFL sales growth was +7.6%, or +2.3% excluding the leap year impact. In France, we performed slightly better than the 'market' in February ('market' based on *Banque de France* data for DIY retail sales (non-seasonally adjusted)).

In the first two weeks of March (up to and including 14 March) Group LFL sales continued to be positive, with growth across all businesses within our core markets, strongly supported by e-commerce sales.

Weekly trading 14 March to 25 April

In the third week of March, the UK continued to see positive LFL sales growth, France was severely impacted by the closure of all its stores and Poland experienced lower footfall and sales. The last week of March was impacted by UK store closures following the government's announcement on 23 March, together with lower footfall in Romania.

The first week of April reflected the first full week of store closures in both the UK and France, although we saw an increasing contribution from e-commerce sales in France. The trend improved in the second and third weeks of April as we rapidly transformed our operations to meet a sharp increase in e-commerce demand, with e-commerce sales increasing week-on-week in the UK and France. Furthermore, in France we started to reopen some of our stores' Building & Joinery external courtyards in the third week of April.

The fourth week of April reflected a significant improvement in the UK at both B&Q and Screwfix, largely due to increasing demand via contactless click & collect, and the reopening of some B&Q stores towards the end of the week. In addition, the trend in France improved as we opened more of our stores' Building & Joinery external courtyards. Poland experienced growth as lockdown measures started to be eased.

Weekly trading since 25 April

From the final week of April, the Group LFL sales trend continued to improve due to phased store reopenings in the UK and France (as noted in the 'Operational status' above). Sales growth in the first week of May was largely driven by exceptional demand at B&Q and Castorama Poland. This continued throughout May and into June, where we also saw exceptional demand in France following the end of the confinement period on 11 May. In the last week of May, Poland LFL sales were adversely impacted by the Sunday trading ban. As a reminder, one further Sunday of trading each month was removed from January 2020 (there were three non-trading Sundays in 2019). In the second week of June, Poland and Romania LFL sales were both adversely impacted by a public holiday.

Financial impact

Given the continued impact and uncertainty of changes in the magnitude and duration of Covid-19, it is too early to quantify the impact of Covid-19 on our expectations for the 2020/21 financial year.

In particular there is uncertainty around the potential resurgence of the Covid-19 virus and its potential impact on household spending and the wider economies within the markets in which the Group operates. To assess the likely impact on cash flow and liquidity, we have modelled the financial impact from various scenarios of reduced sales. These scenarios include prolonged periods of disruption to the business from lockdown restrictions. Further details of the risk assessment and cash flow scenario modelling are provided in the directors assessment of going concern within note 3 of the consolidated financial statements.

Whilst we do not consider the impact of Covid-19 to be a longer term viability risk, we view this disruption, if extended in scope and duration, as posing a risk, albeit remote, to short-term liquidity. As a result, we have taken significant and effective actions to reduce costs and optimise our cash flow and liquidity. Many of these actions are detailed below.

Actions to reduce costs and preserve cash

Kingfisher continues to monitor closely the financial impact of Covid-19 and take mitigating actions. It has implemented multiple actions to reduce costs and preserve cash, including the benefit from several government support measures:

- **Furloughing:** Kingfisher welcomed the announcement of the Coronavirus Job Retention Scheme (CJRS) in the UK, 'activité partielle' relief measures in France, and similar schemes in Spain and Romania. The Group is supportive of each of these government's measures and, since mid-March 2020, gradually announced furlough programmes to colleagues in the UK, France, Spain and Romania. This led to c.50% of our total Group colleagues being furloughed in April, although this figure reduced significantly to c.10% by the end of May as we reopened stores within the UK and France. With the exception of those who are vulnerable and/or at a higher risk of infection, all remaining colleagues in France and Romania returned from furlough on 1 June, with remaining colleagues in the UK and Spain expected back by 1 July. From this date we have decided to no longer claim under the furlough programmes in the UK and France.
- **UK business rates:** The UK government announced in March that retail premises in England will be granted a 'holiday' from paying business rates in the 2020/21 tax year, effective from April. Kingfisher's annual business rates bill for retail premises in England is c.£120 million. Similar measures (a combination of payment deferrals and 'holidays') have been announced by the local governments and assemblies of Scotland, Wales and Northern Ireland, where in aggregate our annual business rates bill for retail premises is c.£20 million.

- **Store operating efficiencies:** In conjunction with our furlough programmes and the operational requirements of our stores, other measures have been put in place to reduce store variable costs, including reducing non-essential store maintenance costs and optimising store opening hours.
- **Discretionary costs:** Discretionary P&L spend has been significantly reduced, including marketing, advertising, consumables and other GNFR spend, stopping all travel, and freezing all pay reviews and full-time staff recruitment.
- **Inventory purchases:** Beyond the corresponding reductions from lower sales, we have adjusted our purchasing plans in response to the significant changes in operational requirements across our Group. We continue to monitor trends in demand closely, working with suppliers to reduce product purchasing in certain categories, and increase stock in others.
- **Capital expenditure:** From mid-March all non-committed development capital expenditure (for example, IT and new stores) was paused, and repairs and maintenance capital expenditure reduced to essential items. Following the reopening of stores from mid-April onwards, all such expenditure plans are being evaluated on a case-by-case basis by the Group's investment committee. Obligatory contractual, legal or health and safety expenditures continue as normal.
- **Dividend:** As announced on 23 March 2020, in light of the unprecedented uncertainty caused by Covid-19, the Board will not propose a final dividend in relation to the 2019/20 year. The Board intends to consider the appropriateness, quantum and timing of future dividend payments when it has a clearer view of the scale and duration of the impact of Covid-19 on the business. The cash cost of last year's final dividend was £157 million.
- **Rental payments:** We remain in active discussions with landlords in all our markets and have seen a positive and constructive response. In the UK and France, we have moved a significant proportion of our quarterly-in-advance rental payments to monthly payments.
- **Deferral of indirect taxation (VAT) payments:** The UK government announced in March that all UK VAT-registered businesses have the option to defer any VAT payments due between 20 March 2020 and 30 June 2020. Payments must be made on or before 31 March 2021.
- **Payments to suppliers:** To help optimise working capital in the short term, mutual agreements were reached with certain larger suppliers to extend payment terms by 30 days or more. Notwithstanding this, we have maintained our policy to pay all suppliers in full and according to contractual payment terms.

Board and Group Executive team remuneration

In recognition of the impact of the above measures on Kingfisher's stakeholders and, at the request of the Board and Group Executive team, in March the Company's Remuneration Committee applied the following discretionary measures regarding executive remuneration:

- The entire Board and Group Executive team has voluntarily offered to temporarily forego 20% of their base salaries or Board fees.
- The Group CEO and Group CFO will receive no annual bonus payment for the 2019/20 year.

Cash position

As at 31 January 2020, Kingfisher had cash and cash equivalents of £195 million, including £6 million of cash held in Russia and included within assets held for sale on the balance sheet.

As announced on 12 May 2020, Kingfisher arranged a €600 million (c.£535 million) term facility with three French banks in support of its operations in France. The loan is guaranteed at 80% by the French State (*Prêt garanti par l'État*) and has a maturity of one year, extendable for up to five years. As required under the terms of the loan, the full amount was drawn down on 18 May 2020.

On 12 May 2020, Kingfisher also announced its eligibility to access funding under the Bank of England's Covid Corporate Financing Facility (CCFF). On 12 June, Kingfisher issued £600 million of 11-month commercial paper under the CCFF. While this additional liquidity is not currently needed, even under Kingfisher's worst case Covid-19 scenario as assessed by the Board of Directors, it could be required should the pandemic be significantly more prolonged or severe.

As at 12 June 2020, Kingfisher had cash and cash equivalents of c.£2 billion, including receipts from the *Prêt garanti par l'État* and CCFF.

Between 1 February and 12 June 2020, the Group's net cash inflow* was c.£730 million benefiting in recent weeks from the reopening of stores in the UK and France as well as the cost and cash preservation actions detailed above.

The Group also has access to undrawn Revolving Credit Facilities (RCFs) of £250 million (due to expire in May 2021), £225 million (due to expire in March 2022) and £550 million (due to expire in August 2022), totalling £1,025 million.

Liquidity headroom

The Group has significant liquidity headroom with its current cash balance to cover a prolonged period of reduced sales. As at 12 June 2020, the Group had access to over £3 billion in total liquidity, including cash and cash equivalents and access to over £1 billion of funding under the RCFs.

* Represents net change in cash at bank excluding physical cash in tills and cash in transit. Excludes receipts from the *Prêt garanti par l'État* and CCFF, and any repayments of debt.

Business model

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

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

At Kingfisher, our purpose is to make home improvement accessible for everyone.

Our key resources

Our people and culture

77,000 engaged colleagues, with the right training to serve customers

Our scale

Over £11 billion of sales in nine countries

Our financial strength

Strong balance sheet and cash generation

Our leading retail banners

Network of over 1,350 stores and online presence

Our product and service offer

Product ranges, buying and sourcing, own exclusive product brands (OEB) and services

Suppliers

We work closely with our suppliers to bring the best home improvement products to our customers at great prices

Natural resources

We work to ensure the sustainable management and efficient use of key natural resources throughout our business (e.g. wood, energy, peat)

Society

We partner with our communities and non-governmental organisations (NGOs) to address the issues that matter most to us, such as housing and the environment

How do we create value?

Leading retail banners that connect with customers and drive loyalty. These differentiated brands are aimed at specific customer segments, such as consumers and trade. They are powered by Kingfisher, which provides key benefits, such as Group sourcing and buying, differentiated own exclusive brands, technology and partnerships and our people and values as a responsible business. These strengths are underpinned by our experienced, skilled and committed colleagues and the financial scale of the combined Kingfisher Group.



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

Who do we create value for?

Customers

Making home improvement accessible for everyone

Colleagues

Inclusive, rewarding work and careers, developing skills

Communities and society

Operating as a responsible business, with strong community involvement

Environment

Protecting natural resources and tackling climate change

Shareholders

Growing the value of the company

Suppliers

Sharing value in our supply chain

Company stakeholder engagement

Kingfisher has a broad range of stakeholders, who are taken into consideration by the company during the course of its operations.

Our core stakeholder groups are set out below, along with the key considerations we take in relation to them, how we have engaged with them and some of the impacts of that engagement throughout the 2019/20 year.

Stakeholder	Key considerations	How we engage	Impact of engagement
 <p>Customers</p>	<ul style="list-style-type: none"> – Understanding customers' home improvement needs and challenges to develop best-in-class products and experiences – Ensuring our customers are at the heart of everything across the business – Testing customers' reactions to the initiatives we are developing – Ensuring we strive to offer competitive pricing, and affordability to our customers – Monitoring customer perception of their experience with us, and of our brands against our competitors – Handling customer complaints in an appropriate and timely manner – Helping make greener and healthier homes affordable for our customers 	<ul style="list-style-type: none"> – Customer research to ensure we understand their needs and issues and how these are evolving. – Continuous customer surveys to monitor post-purchase or post-interaction perception on all touchpoints (Net Promoter Score (NPS)). – Continuous customer surveys to track brand perceptions over time against our competitors. – Ad hoc research to get customer feedback before or just after launching a new product, service or store concept. – The Group Executive receives a monthly customer insight report. – We monitor price indices vs competition in our key categories and measure customer price perception on a regular basis. – Using our industry-leading Sustainable Home Product guidelines, we're transforming our ranges to make greener, healthier homes accessible to everyone. 	<ul style="list-style-type: none"> – Over 860,000 customer surveys collected for NPS across our markets during the 2019/20 year. – NPS is used in all retail banners at each point (store, online, contact centre) to monitor and improve the day-to-day customer experience, and consolidated at retailer level to understand which drivers can improve performance. – The NPS in France was used in conjunction with commercial and financial metrics to influence the broader strategic decisions for improving performance in France. – When developing the company's store concept strategy, the customer feedback from pilot stores was used to evolve the concept strategy further. – Thanks to our price reality monitoring and price perception monitoring, we are able to adjust our pricing strategies over the year. – In 2019/20, products such as insulation, LED lighting and water-efficient taps enabled customers to achieve an estimated 30% reduction in energy use, and a 42% improvement in home water efficiency.
 <p>Colleagues</p>	<ul style="list-style-type: none"> – Training and development – Engagement – Inclusivity and diversity – Attract and retain the right people – Wellbeing 	<ul style="list-style-type: none"> – Annual performance review and development for all colleagues. – Engagement surveys and listening groups. – Training, learning and development opportunities for all colleagues. – Kingfisher Colleague Forum (KCF) and retail banner colleague forums. – Union dialogue where appropriate. – We have developed Group Diversity and Inclusion principles and we are training our senior colleagues to model inclusive leadership behaviours. Our Wellness Framework helps support colleagues to look after their mental, physical, social and financial health. 	<ul style="list-style-type: none"> – 80% of colleagues responded to Kingfisher's colleague engagement survey, which received an engagement score of 79. – Kingfisher Academy training events for 1,200 Trading Managers from the UK, France, Poland and Romania. – 35,500 store colleagues completed digital Kingfisher Academy training modules. – 1,200 UK colleagues on workplace apprentice programmes. – 158 recruiters have been trained to minimise the impact of bias and ensure a fairer recruitment process. – All colleagues in the UK and France can access online training and advice on wellness as well as counselling support provided by experts from the Retail Trust in the UK and Alterego in France.
 <p>Shareholders</p>	<ul style="list-style-type: none"> – Clear understanding of the strategy of the business and our progress against it – Financial performance – Balance sheet health – Total shareholder return 	<ul style="list-style-type: none"> – Annual General Meeting (AGM) of shareholders. – Communication with shareholders via the annual report and accounts. – Full year and half year results presentations and quarterly trading updates. – Investor roadshows, store tours and capital markets events. – Regular dialogue with research analysts and institutional investors. – Meetings with investors about Environmental, Social and Governance (ESG) matters. 	<ul style="list-style-type: none"> – Amended the proposed Directors' Remuneration Policy based on feedback obtained via shareholder consultations ahead of the 2019 AGM. – Feedback from a further shareholder consultation, following the vote against the Directors' Remuneration Report at the 2019 AGM, will be used to develop future decisions regarding remuneration and the implementation of remuneration structures. – Shareholder feedback is reported to the Board on a regular basis. – Incorporated ESG priorities and targets into management's remuneration (bonus) criteria.

Stakeholder	Key considerations	How we engage	Impact of engagement
 <p>Suppliers</p>	<ul style="list-style-type: none"> – Contractual negotiations and commercial terms – Responsible sourcing and Human Rights – Cost of labour and raw materials – Meeting our customers' needs – Responsible payment practices 	<ul style="list-style-type: none"> – Engaging suppliers with Kingfisher's Code of Conduct. – Supplier ethical risk assessment and audit: <ul style="list-style-type: none"> – Registration on Sedex, the online supplier data exchange, for Goods For Resale (GFR) suppliers. – Ethical audits of high risk production sites. – An EcoVadis assessment, the sustainability ratings platform, for Goods Not For Resale (GNFR) suppliers. – Factory and site visits. – Conducting risk-based anti-bribery and corruption due diligence. – Reviewing our approach to human rights, beginning with a saliency assessment in the first quarter of 2020/21. – Supplier conferences on topics of significance. 	<ul style="list-style-type: none"> – 62% of our GFR suppliers are currently registered on Sedex. – 941, or 68%, of our high risk production sites have had an ethical audit in the past two years. – 230 GNFR suppliers completed an EcoVadis assessment. These suppliers represent 42% of our spend with our top 1,000 GNFR suppliers. – For further details and performance data, see our Modern Slavery Act Transparency Statement (www.kingfisher.com/Modern-Slavery). – Suppliers provided with our Sustainable Home Product guidelines to inform product development. – Suppliers attended conference to update them about our sustainable plastics strategy. – We report our payment practices under the UK Government's Duty to Report Requirements.
 <p>Communities & Non-governmental organisations (NGOs)</p>	<ul style="list-style-type: none"> – Improve practices to address environmental climate change impacts – Tackle and fix bad housing – Collaboration to ensure we make a positive impact on society – Support discussions on Brexit and future trading relationships 	<ul style="list-style-type: none"> – Ad hoc meetings on matters of importance or emerging issues. – Strategic partnerships and engagement in each of our markets, with charitable organisations active in the environment and on housing issues aligned with our purpose: <ul style="list-style-type: none"> – Housing – such as Shelter in the UK and Fondation Abbé Pierre in France; – Environmental – Green Alliance, Aldersgate Group, BioRegional, Forum for the Future. – Support of organisations to help us develop our inclusivity agenda, e.g. Business Disability Forum, Stonewall. – Collaboration to tackle modern slavery, partnering with Slave Free Alliance. – Brexit and the future of UK and Europe relationships – Kingfisher is a supporter of the Centre for European Reform. 	<ul style="list-style-type: none"> – The Board and Remuneration Committee has agreed the incorporation of ESG targets within the company's remuneration packages and executive bonus scheme. – In 2019/20, we established a network of charitable foundations in Poland and Romania for allocating grants to charitable organisations that share our commitment to fix bad housing. – Contribution to policy change, for example, the UK Government's commitment to upholding environmental standards after Brexit. <p>Read more about our work in these areas in the Responsible Business section on pages 22 to 25.</p>
 <p>Regulators & Government</p>	<ul style="list-style-type: none"> – Taxation – Environmental policy – Employment policy – Brexit – Housing – Operational issues (e.g. Sunday trading in Poland) – Product issues (e.g. chemicals in products) – Data protection 	<ul style="list-style-type: none"> – We engage with the governments in each of our key markets and with the EU, directly and through our trade associations. This includes attending events hosted by governments, responding to consultations and participating in parliamentary inquiries. – Membership of organisations, including the British Retail Consortium (BRC), Confederation of British Industry (CBI), The European DIY Retail Association (EDRA), the French DIY retail association FMB and POHiD, the Polish retail employers' organisation, on matters of industry importance (a full list will be available in the Responsibility Report, which will be published later in 2020). 	<ul style="list-style-type: none"> – Our engagement this year has supported the business in its preparations for Brexit in areas including customs and product regulation and people. – Achieved a positive change in the way that tax credits for energy efficiency projects are administered in France, which will make it easier for customers to claim for energy efficient improvements and products in their homes. – We have been able to highlight positive initiatives, for example in our engagement with governments around the removal of specific chemicals from our products, as they are considering how they continue to limit risks from chemicals in products. We have also engaged with industry groups, such as the ChemSec Business Group and the Green Chemistry & Commerce Council (GC3) Retailer Leadership Council. – Supported our charity partners (especially Shelter) in their policy aims where we have mutual objectives.

Section 172(1) statement

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

The Directors acknowledge that every decision they make will not necessarily result in a positive outcome for all of our stakeholders. By considering the company's strategic priorities and having processes in place for decision-making, they do, however, aim to make sure that their decisions are consistent.

For information about the Board's approach to stakeholder engagement, including how the Board is kept informed and how engagement influenced Board discussions and decision making, see page 56.

Our people

With 77,000 colleagues across the business, we know how valuable our people are. Just as we want our customers to love where they live, we want our colleagues to love where they work; to feel fully connected to their area of the business and our purpose, united by a passion for what they do and how we serve our customers, in a workplace they can call home.

Key developments in the 2019/20 year included:

Colleague engagement

Our colleagues are the lifeblood of Kingfisher and understanding their experience of working in our stores and office locations is key to making it a great place to work, so they can in turn deliver the best customer experience.

All colleagues around the company were offered an opportunity to share their views about working for Kingfisher and our businesses through the colleague engagement survey, which took place in June 2019. 80% took part, sharing over 90,000 comments. Kingfisher's engagement score increased from 78 to 79 last year and remained well above the retail average of 66.

Leaders can use the survey feedback to identify how they can best improve the colleague experience within their team.

Kingfisher Colleague Forum

In order to increase engagement with our colleagues globally, we have established the Kingfisher Colleague Forum (KCF). Elected colleague representatives from each market and global functions come together twice a year to discuss what is important to colleagues in their respective markets. The first KCF meeting took place in June 2019, followed by a second meeting in December, which was attended by our CEO, Thierry Garnier, and Chairman, Andrew Cosslett. The Forum enabled a positive discussion about reward, store format, wellbeing, digital developments and product strategy. Issues raised were taken to the Kingfisher plc Board, creating a continuous feedback loop between colleagues and the Board.

Building skills for life

We want to enable all individuals across Kingfisher to have the opportunity to be great at what they do every day.

Kingfisher Academy

The Kingfisher Academy was launched in 2018 to provide store-based colleagues in all our markets with consistent learning and development programmes, which support their roles and help them deliver an excellent customer experience. During 2019, the Academy delivered 27 training events for over 1,200 trading managers from the UK, France, Poland and Romania. Digital programmes were rolled out to the wider store teams, with 35,500

colleagues completing online modules. The delivery of the Academy programmes in the 2019/20 year was timed to coincide with the launches of Kingfisher's new product ranges in store, including Outdoor and Interiors in all markets, and Kitchens in the UK. Over 15,000 hours of face-to-face and more than 11,000 hours of online learning have been logged to date.

Apprenticeships

Our apprenticeship programmes enable individuals to learn new skills and develop in their job. Our three key business areas across the UK (B&Q, Screwfix and head office) are subject to the Apprenticeship Levy and apply the fund in different ways to support colleague development. For example:

- Screwfix has successfully joined the Government Register of Apprenticeship Training Providers, with their own team of coaches. There are over 500 Screwfix colleagues on apprentice programmes across retail, human resources, accounting and the contact centres.
- B&Q offers a wide selection of apprenticeship programmes from Level 2 (equivalent to GCSEs) right through to Level 7 (equivalent to a Bachelor's or Master's degree), with over 700 colleagues enrolled across its stores and head office. In January 2020, 123 B&Q colleagues graduated from their apprenticeship programmes.
- Following the recent launch of a new Learning and Development intranet site, Kingfisher will launch several apprenticeships in the coming year for colleagues working in its global functions (Finance, IT, Digital, HR, Supply Chain).

Apprenticeships elsewhere across the Group:

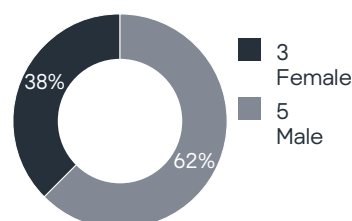
- In our Finance Shared Service Centre in Poland, 75% of apprentices in 2019/20 were successfully offered a permanent position.
- At the end of 2018, Castorama Poland launched a programme called "Kierunek Castorama", building partnerships with local schools to encourage young people to participate in apprenticeships in stores. In 2019/20 there were apprenticeships available in 16 stores.

Leadership development

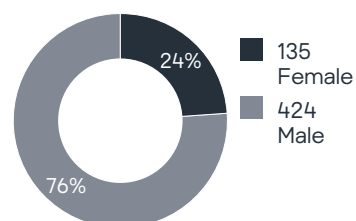
We work hard to make sure we have a robust pipeline of future leadership talent in place. A key focus in 2019/20 has been on developing colleagues' skills and behaviours to lead themselves, lead others and lead the business. Our leadership development style has been adapted to reflect the changing climate of retail and is based on coaching and empowering colleagues. We launched our new global Leadership Development programme for all line managers in 2019/20 and have upskilled our Learning and Development leads to ensure they have the tools to deliver this flagship leadership programme.

At 31 January 2020, the gender breakdown of employees and Directors was as follows:

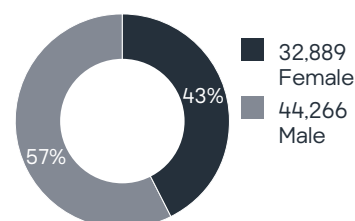
Total Board (%)



Total Senior Management (%)



Total Workforce (%)



Wellness, diversity and inclusion

We developed a new Wellness and Inclusion strategy in 2019/20, in line with our commitment to provide equal opportunities in employment and creating a workplace where everyone is treated with fairness, dignity and respect. The strategy encompasses all colleagues in all markets, with the aim of ensuring that Kingfisher is an inclusive place to work and shop for our colleagues and customers, whoever they are and wherever they are from.

Wellness

We want to help our colleagues to be at their best and feel well. The Kingfisher Wellness Framework is embedded in our leadership programmes to reinforce the importance of wellness of self and others, supported by wellness guides and resources on the intranet to help colleagues thrive across all areas of their life, both at work and at home. Head office locations have hosted wellness immersion sessions. We have used digital channels to reach store-based colleagues. In France, our employee assistance provider has trained managers to recognise psycho-social risks and signpost colleagues to further support available. In the UK, we have extended access to our employee assistance programme to all colleagues. As part of this improved offer, colleagues also have access to online courses and materials to support their wellness.

Diversity and inclusion

We want our colleagues to feel that they can be themselves at work, whoever they are and wherever they are from. In 2019/20, we joined Stonewall's Global Diversity Champions programme. Participation in the programme continues to help us become more inclusive of lesbian, gay, bi and trans (LGBTQ) colleagues across all our operations.

As part of our journey to build a more inclusive business, we have established a number of colleague networks across Kingfisher, to better understand the different experiences of our diverse colleague base, understand how we can improve on our colleague experience as well as to ensure that we can better reflect and serve our diverse customer groups. We are incredibly proud that our Kingfisher LGBTQ+ Network came Highly Commended in this year's Rainbow Honours Awards under the 'New LGBTQ Network of the Year' category.

We have partnered with Green Park, an inclusion consultancy firm, to carry out an independent review of culture within B&Q. The findings will help to develop the culture and leadership skills B&Q needs to serve the business in the future and create a truly inclusive environment for colleagues and customers. Kingfisher is also working in partnership with King's College London's Global Institute of Women's Leadership to further their research into understanding women's careers and remove barriers that exist for women in the workplace.

Across all markets, we continued to raise leadership awareness of inclusion and promote inclusive behaviours through our leadership programmes and Board level engagement. We are continually reviewing our Human Resources practices to ensure they are inclusive; for example, Licence to Hire training for managers promotes fair recruitment practices, and ongoing policy reviews ensure fair and equitable support is applied within our markets.

Across Kingfisher, we believe we have robust and strong reward processes, and we are confident that we have the right reward processes in place to enable us to reward people fairly. Our third gender pay report was published in February 2020 (see <http://www.kingfisher.com/genderpayreport2019>). We also review the gender pay gap, using a simplified methodology, across all our geographies and use this data when reviewing pay to ensure our reward is fair for all colleagues (i.e. not just those covered by the reporting regulation in the UK). We are members of the 30% Club and are committed to its principles of better gender balance at all levels of Kingfisher. See our gender diversity charts on page 20.

Supporting our colleagues during the coronavirus pandemic

From the onset of the coronavirus pandemic our key areas of focus have been the safety of our colleagues and customers. In line with government guidelines in all our markets, we have opened our stores only where we have felt confident that we can operate in a safe way to serve our customers' essential needs while protecting the safety of colleagues and customers alike. Social distancing and other stringent measures have been rolled out across our stores, distribution and fulfilment centres, and corporate offices, along with extensive work from home arrangements, in consultation with our colleagues.

Kingfisher welcomed the announcement of the Coronavirus Job Retention Scheme (CJRS) in the UK, 'activité partielle' relief measures in France, and similar schemes in Spain and Romania. The Group is supportive of each of these government's measures and, since mid-March 2020, gradually announced furlough programmes to colleagues in the UK, France, Spain and Romania. This led to c.50% of our total Group colleagues being furloughed in April, although this figure reduced significantly to c.10% by the end of May as we reopened stores within the UK and France. With the exception of those who are vulnerable and/or at a higher risk of infection, all remaining colleagues in France and Romania returned from furlough on 1 June, with remaining colleagues in the UK and Spain expected back by 1 July. From this date we have decided to no longer claim under the furlough programmes in the UK and France.

Equal opportunities

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

Responsible Business

We have been taking the lead on responsible business issues for over two decades – from our first responsible timber sourcing policy, published over 25 years ago, to our net positive commitments and championing of the circular economy.

We are committed to doing everything we can to make a positive impact for society so that all our homes – including our communities, our forests and planet – can flourish. During 2020, this commitment has helped shape our response to the coronavirus pandemic (Covid-19), which presents a huge challenge to society, to business and to all our colleagues, customers and suppliers, and will have a significant impact on demand and supply chains.

Covid-19 community response

Kingfisher is committed to supporting communities and governments in managing the Covid-19 pandemic. We are focused on making sure that we can continue to serve our customers' essential needs as effectively as possible, while protecting the safety of all concerned.

As part of this commitment, we have ringfenced all currently remaining stock of personal protective equipment so it can be donated to frontline healthcare workers. Total committed donations to our communities and health authorities amount to over £2.5 million so far.

Our Responsible Business strategy

At Kingfisher, we will continue to play our part in addressing the global challenge of climate change and supporting many of the people across Europe living in homes that are unfit; too small, too dark, too cold and too damp.

We have revisited our Responsible Business strategy and identified four key priorities where we believe we can most help bring about positive change on some of the big challenges facing society (see page 23). These will bring focus to our efforts and enable us to work together with our partners, our customers and 77,000 colleagues to further increase our impact. Our priorities are underpinned by our commitment to our Responsible Business Fundamentals – the many important issues and issues we need to measure and manage to ensure we continue to operate responsibly across the whole company (see page 24). This section summarises our approach. More detailed information and performance data will be available in our separate Responsible Business Report.

Governance of responsible business

In 2019/20 we established a new Responsible Business Committee (RBC), reporting to the Board. The RBC is a committee of the Board and will meet at least twice a year, with key priorities and risks reviewed at each meeting. The RBC will lead and oversee delivery of how we operate as a responsible business. The Committee is chaired by Non-Executive Director (NED) Sophie Gasperment, and includes the CEO and one more NED, as well as our Chief Offer & Sourcing Officer and our Chief People Officer. The seniority of the Committee members reflects our increased focus on these areas. The Board receives regular updates about our performance and sustainability risks. Further, from 2020/21, an element of our colleague bonus will be linked to performance against responsible business measures for the first time.

Our four priorities

We will be an inclusive company

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

Our targets:

- Provide five million hours of learning by 2025 through our “skills for life” programme.
- Develop an inclusivity action plan for each of our businesses in 2020/21.
- Improve gender balance in management in 2020/21.

Our progress: We have developed Group Diversity and Inclusion principles and we are training our senior colleagues to model inclusive leadership behaviours. We’ve rolled out training to 158 recruiters to help minimise the impact of bias and ensure a fairer recruitment process.

35% of managers and 24% of senior managers are women. The Kingfisher Academy has helped almost 37,000 colleagues build the confidence and expertise they need to help customers succeed in their home improvement projects.

We will fight to fix bad housing

Our commitment: We will fight to fix bad housing – donating our products, expertise and time to help more than one million people whose housing needs are greatest in the communities we serve.

Our targets:

- Help more than one million people whose housing needs are greatest by 2025.
- Provide over 20,000 colleague volunteering hours to support housing and home improvement projects in 2020/21.

Our progress: We launched charitable foundations in Poland and Romania, to support projects that help those most in need to have a home they can feel good about. Our colleagues gave 19,600 hours of their time as volunteers on over 100 projects improving homes and community spaces. We extended our partnerships with national charities Shelter, in the UK, and Fondation Abbé Pierre, in France, to tackle poor and unfit housing.

Altogether, our community investment this year was worth £1.5 million and we reached over 172,000 people through our projects.

We help make greener, healthier homes affordable

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

Our target:

- 50% of sales to be from our Sustainable Home Products by the end of 2020/21.

Our progress: Using our industry-leading Sustainable Home Product guidelines, we’re transforming our ranges to make greener, healthier homes accessible to everyone.

In 2019/20, products such as insulation, LED lighting and water-efficient taps enabled customers to achieve an estimated 30.4% reduction in energy use in their homes, and a 42.3% improvement in home water efficiency.

We will help tackle climate change & create more forests than we use

Our commitment: We will help tackle climate change by reducing carbon emissions from our business, products and supply chains; and, by creating more forests than we use. We will become forest positive by 2025 by investing in reforestation from 2021.

Our targets:

- Source 100% sustainable wood and paper for our products and catalogues by 2020/21.
- Achieve our approved science-based carbon reduction target to 2025.
- Become forest positive by 2025.

Our progress: We have helped lead the industry on responsible timber sourcing, publishing our first policy in the 1990s, becoming a founding partner to the Forest Stewardship Council (FSC) and supporting forest restoration projects. Our Wood and Paper policy covers our products and operations, committing us to source from responsibly managed forests. We’ve been working with our suppliers and partners during 2019/20 to strengthen our data, product testing and oversight processes, establishing a new steering group to lead our efforts. Performance data will be published in our Responsible Business Report.

Responsible Business continued

Our Responsible Business Fundamentals

Being a responsible business encompasses all aspects of the way we work, from the way we treat our colleagues (see pages 20 to 21), to our supply chain and our impact on the environment. We have clear policies and ambitious targets to ensure we take a consistent best practice approach and keep improving.

We summarise progress in key areas below, with a full account of progress against targets to be published in our Responsible Business Report.

Climate change

Climate change is one of the biggest challenges of our time. We have been working to cut our carbon footprint for many years and in 2019/20 we set challenging targets to take us even further by 2025. These were approved by the Science Based Targets initiative, confirming that they are consistent with reductions required to keep global warming to 2°C, compared with pre-industrial levels.

Our targets are:

- reduce our absolute greenhouse gas emissions from our direct operations by 22% by 2025 compared with a 2016/17 baseline (Scope 1 and 2); and
- achieve a 40% reduction (per million pounds (£) turnover) from purchased goods and services and use of sold products, by 2025 from a 2017/18 baseline (Scope 3).

To date, we have reduced absolute Scope 1 and 2 (market based) greenhouse gas emissions by 18%, compared with a 2016/17 baseline.

We support the Task Force on Climate-related Financial Disclosures (TCFD) and are currently undertaking work to review our approach against their frameworks and requirements.

Governance: Governance of climate-related risks and opportunities is integrated into our overall sustainability governance and risk management structures. Our CEO has ultimate accountability for the issues of energy and climate change. The Board receives regular updates about our climate change targets.

Strategy: Identification and management of climate risks is incorporated into our strategic risk assessment processes. The most material opportunity is from the growing market for energy efficient products and services in a low carbon economy. The most material risks include the potential impact of rising energy and insurance costs on our business and supply chain. Other risks include the potential difficulty in sourcing raw materials. For all our risks, including aspects of our climate-related risks, we assess the recurring or one-off impact on (i) like-for-like sales, (ii) our net margin or (iii) cost. We have set numerical thresholds for each of these metrics to define 'substantive financial impact'.

Risk management: We monitor short- (1-3 years), and medium- to long-term (over 3 years) sustainability risks, their probability, potential impact on our business, and our mitigation measures. We consider climate as part of our environmental risks – see principal risk 11, Reputation and Trust, on page 44.

Our most significant risks are included in our internal sustainability risk register (part of our overall Group risk management process). At an asset level, we manage climate-related risks through our insurance programmes and by incorporating climate change factors into our planning and design of new stores, refurbishment projects and preventative maintenance programmes.

Metrics and targets: We have established targets and KPIs to help us manage these risks and monitor progress.

Greenhouse gas (GHG) emissions (tonnes of CO ₂ e) and energy use		2016/17	2017/18	2018/19	2019/20
Total scope 1	Tonnes	144,154	146,655	156,267	148,654
Total scope 2 location-based	Tonnes	212,319	184,666	162,621	146,409
Total scope 2 market-based	Tonnes	164,116	128,963	104,044	102,712
Kingfisher's own CO ₂ e emissions (scope 1 and 2) (market-based)	Tonnes	308,270	275,618	260,311	251,366
Carbon footprint (kg CO ₂ e) per m ² of floor space	kgCO ₂ e/m ²	40	35	33	31
Total energy consumption	GWh	1,354	1,330	1,369	1,277
Energy intensity	kWh/m ²	175	170	171	160

Notes to chart: Our GHG emissions have been calculated using the UK Government (Defra) and International Energy Agency (IEA) emissions factors. Our data covers our material impacts: emissions from property energy use and dedicated delivery fleets (i.e. Scopes 1 and 2). Our sustainability data, including our GHG data, covers all our retail banners. With the sale of our Screwfix Germany business, we have removed emissions associated with that business from previous years, including our 2016/17 baseline. We report on an 'operational control' basis, meaning that the data covers Kingfisher's retail banners where we have the full authority to introduce and implement operating policies. Emissions from our Koçtaş joint venture are reported under our Scope 3 emissions (category investments).

Waste and chemicals

We are also working towards our goal of zero waste to landfill and 90% recycling by 2025; phasing out high priority chemicals from our products and supply chains; and focusing on the sustainable sourcing of materials such as peat, plastic and cement. A full update will be published in the Responsible Business Report.

Responsible sourcing and human rights

We want to do business with suppliers who meet high standards on the environment, labour practices, and human rights. We work with suppliers to raise standards in our supply chain. Our target is to ensure suppliers meet our ethical and environmental standards by 2020. As part of our due diligence, we assess performance through a programme of ethical audits. 941 out of 2,973 production sites that supply us with finished goods have had an ethical audit in the past two years.

We respect human rights and aim to promote and support the human rights of our colleagues, workers in our supply chain and others affected by our business activities. Our Human Rights Policy sets out our commitment to regularly review human rights' risks and to implement controls to mitigate them. Our Modern Slavery Working Group meets three times a year, to oversee due diligence and disclosure on human rights and modern slavery. It has agreed an action plan including internal training, supplier training, supplier ethical risk assessment and audit. We have begun a new partnership with the Slave Free Alliance, a victim-focused social enterprise. We will work together to provide training for our colleagues and suppliers to help them spot signs of modern slavery, carry out a sense check of high-risk sectors in the UK and undertake a review of our current policies.

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

Health and safety

Every colleague should be able to do their job in a safe working environment. Our Group Safety and Compliance Risk Officer oversees our approach to health and safety, implementing policies and procedures to make sure we are meeting high standards across the business.

We have a senior management safety committee in each retail banner and a network of safety professionals. A Health & Safety dashboard is reviewed quarterly by the Board and Group Executive Committee. Accident data will be reported in our Responsible Business report.

Ethical conduct

Our Code of Conduct sets out our personal and shared responsibilities for meeting high ethical standards and helps to promote a culture where transparency, honesty and fairness are the norm.

The Code forms part of the contractual terms and conditions for all new employees and is communicated through a compulsory e-learning module for all colleagues as well as more detailed face-to-face training sessions for colleagues in higher risk roles.

We have a network of compliance officers to implement our Code of Conduct and our Internal Audit function monitors compliance. The Audit Committee of the Board receives regular updates about the outcomes from our internal audits. We operate a confidential whistleblowing hotline and regular updates are published to the Board. Statistics and trends are monitored by the retail banner Audit Committees. Read more about this on page 42.

Our anti-bribery and corruption policies and procedures, and our approach to data protection and cyber security, are explained on page 47.

Trading review by division

Note: all commentary below is in constant currency, reported under IFRS 16 and reflects the reallocation of central support and transformation P&L costs as discussed in note 2 of the consolidated financial statements.

UK & IRELAND

£m	2019/20	2018/19	% Reported Change	% Constant Currency Change	% LFL Change
Sales	5,112	5,061	+1.0%	+1.0%	(0.3)%
Retail profit	499	498	+0.3%	+0.3%	
Retail profit margin %	9.8%	9.8%	–	(10)bps	

Kingfisher UK & Ireland sales increased by 1.0% (-0.3% LFL) to £5,112 million within the context of a weak demand backdrop. Gross margin % was flat with sourcing benefits and the uplift from the discontinuation of installation services at B&Q offset by incremental clearance of surfaces & décor and kitchen ranges at B&Q, selective price investment at Screwfix and increased promotional activity at B&Q in Q4. Costs increased as a result of wage inflation, digital costs and new store opening costs at Screwfix which together outweighed a reduction in transformation costs. Retail profit increased by 0.3% to £499 million.

B&Q total sales decreased by 3.1% to £3,284 million. LFL sales decreased by 2.9%. The discontinuation of installation services impacted LFL by c.-1.5% and disruption on surfaces & décor and kitchens ranges impacted LFL by c.-2%. LFL sales of weather-related categories decreased by 1.4% while sales of non-weather-related categories, including kitchen and bathroom, were down 3.4%. B&Q's e-commerce sales continued to make good progress with growth of 17% (including click & collect up 27%), representing 6% of total B&Q sales.

Across the business, space remained broadly flat with two new store openings and two store closures.

Screwfix total sales increased by 9.4% (+5.0% LFL) to £1,828 million, driven by specialist trade desks exclusive to plumbers and electricians, strong e-commerce sales growth of 17% (including click & collect up 23%) and the continued rollout of new outlets. E-commerce sales represented 33% of total Screwfix sales.

During the year Screwfix opened 55 new outlets in the UK, with 39 openings in the second half. In December Screwfix opened its first outlet in the Republic of Ireland, with a total of four openings by 31 January 2020, to complement its fast-growing online business in the country. The early performance of these outlets, prior to the coronavirus crisis, was encouraging.

In total, as at 31 January 2020 Screwfix had 686 outlets in the UK & Ireland, with a total of 59 new outlets in the year and a space increase of c.9%.

FRANCE

£m	2019/20	2018/19	% Reported Change	% Constant Currency Change	% LFL Change
Sales	4,082	4,272	(4.5)%	(3.2)%	(3.2)%
Retail profit	164	183	(10.8)%	(9.7)%	
Retail profit margin %	4.0%	4.3%	(30)bps	(30)bps	

Kingfisher France sales decreased by 3.2% (-3.2% LFL) to £4,082 million, although Q4 saw an improved performance compared to the first nine months of the year with sales up 3.1% (+3.3% LFL). Q4 sales were aided by better stock availability, the reintroduction of promotion-based trading events, and the reintroduction of some local ranges.

According to Banque de France data, sales for the home improvement market in France were up c.2% for the year (+4.7% in Q4). The improvement in sales in Q4 was in part due to prior year Q4 sales being impacted by c.-3% from national demonstrations (known as 'gilets jaunes'), although this was partly offset by nationwide strikes in France in December 2019 and January 2020.

Gross margin % increased by 40 basis points in the year, reflecting lower overall promotional activity at Brico Dépôt, partly offset by logistics & stock inefficiencies (mainly in Castorama France). Costs reduced, reflecting store closures and staff reduction at Castorama France in addition to lower transformation costs. Despite this retail profit decreased by 9.7% to £164 million, reflecting lower overall sales.

Castorama total sales decreased by 3.3% (-3.3% LFL) to £2,145 million, reflecting price repositioning (c.-1% impact on LFL sales) and the impact of transformation-related activity (c.-2% impact on LFL sales). LFL sales of weather-related categories were down 4.1% and sales of non-weather-related categories, including kitchen and bathroom, were down 3.2%.

Brico Dépôt total sales decreased by 3.1% (-3.1% LFL) to £1,937 million driven by an overall reduction in promotional activity, which impacted LFL sales by c.-3%. In constant currency, gross profit and gross margin % both increased year on year.

Across the two businesses, space remained broadly flat, with Castorama closing one store and Brico Dépôt closing two stores in FY 19/20.

OTHER INTERNATIONAL

£m	2019/20	2018/19	% Reported Change	% Constant Currency Change	% LFL Change
Sales	2,319	2,352	(1.4)%	(0.2)%	(0.8)%
Poland	1,461	1,431	+2.1%	+4.0%	+1.6%
Romania	216	210	+2.6%	+6.1%	+8.8%
Other	642	711	(9.7)%	(10.3)%	(7.6)%
Retail profit	123	143	(13.5)%	(11.5)%	
Poland	151	167	(9.3)%	(7.7)%	
Romania	(23)	(16)	n/a	n/a	
Other	(5)	(8)	n/a	n/a	

Retail profit margin %

Poland	10.4%	11.7%	(130)bps	(130)bps
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Other International total sales decreased by 0.2% (-0.8% LFL) to £2,319 million, with growth in Poland and Romania offset by declines in Russia and Iberia. Retail profit decreased by 11.5% to £123 million, reflecting a decline in Poland and an increase in combined retail losses in Romania and Russia. In Germany, all 19 Screwfix stores were closed during the first half of the year.

Sales in **Poland** increased by 4.0% (+1.6% LFL) to £1,461 million. Four new stores were opened during the year, representing a c.6% increase in space. The removal of one further Sunday of trading each month (three non-trading Sundays from January 2019; previously two) had an estimated adverse impact on LFL sales of c.1%. In addition, a softer market backdrop in H2 impacted annual LFL sales by c.-1%. LFL sales of weather-related categories were up 3.4% while sales of non-weather-related categories, including kitchen and bathroom, were up 0.8%. Gross margin % was down 100 basis points year on year reflecting higher clearance and increased promotional activity in response to a softer market. Retail profit decreased by 7.7% to £151 million reflecting sales growth offset by a decline in gross margin and higher costs. The increase in costs was largely driven by wage inflation, digital costs and pre-opening costs, partly offset by lower transformation costs.

In **Romania** sales increased by 6.1% (+8.8% LFL) to £216 million reflecting improved and expanding ranges. The business made a retail loss of £23 million for the year (FY 18/19: retail loss of £16 million), largely driven by losses in the former Praktiker stores. During the year, Romania completed the rebranding of all former Praktiker stores to Brico Dépôt, and integrated the business' product range, IT system and head offices. Romania plans to consolidate its two distribution centres later this year. Space decreased by c.7% in the year due to three store closures.

In **Iberia** sales decreased by 4.7% (-4.7% LFL) to £326 million and the business made a retail profit of £2 million (FY 18/19: retail profit of £2 million). In **Russia** sales decreased by 13.9% (-10.8% LFL) to £311 million. The business reported a retail loss of £12 million (FY 18/19: retail loss of £5 million) reflecting a challenging business environment and two store closures. As at the year-end, the Russian business was classified as 'held for sale' in the Group's balance sheet. In **Screwfix Germany**, all 19 stores were closed during the first half of the year and the business reported a retail loss of £4 million (FY 18/19: retail loss of £14 million).

In **Turkey**, Kingfisher's 50% JV, Koçtaş, contributed retail profit of £9 million (FY 18/19: retail profit contribution of £9 million).

Financial review

A summary of the reported financial results for the year ended 31 January 2020 is set out below.

Financial highlights

	2019/20	2018/19 ¹	% Total change Reported	% Total change Constant currency	% LFL change Constant currency
Sales	£11,513m	£11,685m	(1.5)%	(0.8)%	(1.5)%
Gross profit	£4,255m	£4,318m	(1.4)%	(0.8)%	
Gross margin %	37.0%	37.0%	-	-	
Operating profit	£283m	£480m	(41.0)%		
Statutory pre-tax profit	£103m	£300m	(65.7)%		
Statutory post-tax profit	£8m	£193m	(95.9)%		
Statutory basic EPS	0.4p	9.1p	(95.6)%		
Interim dividend	3.33p	3.33p	-		
Final dividend	-	7.49p	n/a		
Adjusted metrics					
Retail profit ²	£786m	£824m	(4.6)%	(3.9)%	
Retail profit margin %	6.8%	7.1%	(30)bps	(20)bps	
Adjusted pre-tax profit	£544m	£574m	(5.2)%		
Adjusted effective tax rate	26%	27%			
Net exceptional items	£(400)m	£(204)m	n/a		
Adjusted post-tax profit	£400m	£421m	(5.0)%		
Adjusted basic EPS	19.1p	19.8p	(3.5)%		
ROCE	8.6%	8.6%	-		
Free cash flow	£191m	£372m	(48.7)%		
Net cash (excluding IFRS 16 lease liabilities)	£37m	£84m	n/a		
Net debt ³	£2,526m	£2,542m	n/a		

1. FY 18/19 comparatives have been restated for IFRS 16 'Leases'. Refer to note 37 of the consolidated financial statements for detailed for detailed restatement tables and associated commentary
2. FY 18/19 retail profit restated to reflect the reallocation of transformation P&L costs to country retail profits. There is no impact on operating profit. Refer to note 2 of the consolidated financial statements.
3. Net debt includes £2.6 billion lease liabilities under IFRS 16 in FY 19/20 (FY 18/19: £2.6 billion)

Total **sales** decreased by 0.8% on a constant currency basis to £11.5 billion, with LFL sales down 1.5%. On a reported basis, which includes the impact of exchange rates, total sales decreased by 1.5%. During the year, total sales growth benefited from 36 net new stores, driven by 59 Screwfix outlet openings in the UK & Ireland, four new store openings in Poland and two new store openings in B&Q in the UK. All 19 Screwfix outlets were closed in Germany, three stores were closed in both France and Romania, and two stores were closed in both Russia and B&Q in the UK.

Gross margin % was flat as benefits from Group buying and sourcing, and price repositioning, were offset by incremental clearance, logistics & stock inefficiencies (largely in Castorama France), and higher promotional activity in Q4 2019/20.

Reported **retail profit** decreased by 4.6% including £6 million of adverse foreign exchange movement on translating foreign currency results into sterling. In constant currency, retail profit decreased by 3.9% with the impact of lower sales and higher operating costs outweighing a £71 million reduction in transformation costs.

Statutory pre-tax profit, which includes exceptional items, decreased by 65.7% to £103 million.

We continued to invest in the business and paid £227 million in cash dividends to shareholders while maintaining a strong balance sheet.

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

	2019/20 £m	2018/19 £m	Increase/ (decrease)
Retail profit	786	824	(4.6)%
Central costs	(62)	(69)	
Share of interest and tax of joint ventures & associates ¹	(7)	(5)	
Net finance costs ¹	(173)	(176)	
Adjusted pre-tax profit	544	574	(5.2)%
Exceptional items before tax	(441)	(267)	
Exchange differences on lease liabilities	–	(7)	
Statutory pre-tax profit	103	300	(65.7)%

1. Excludes exchange differences relating to translation of leases denominated in non-functional currencies (e.g. USD leases in Russia)

Net finance costs (excluding lease FX) of £173 million (2018/19: £176 million) consists principally of interest on IFRS 16 lease liabilities.

Exceptional items (post-tax) were £400 million (2018/19: £204 million), as detailed below:

	2019/20 £m Gain/(charge)	2018/19 £m Gain/(charge)
Transformation exceptional costs	(8)	(58)
Store closures	(67)	(124)
Russia impairments and exit costs	(130)	(15)
Store impairments	(118)	–
Romania impairments	(39)	–
FTA settlement and business tax	(50)	–
Property disposals	15	(30)
Other	(44)	(40)
Exceptional items before tax	(441)	(267)
Exceptional tax items	41	63
Net exceptional items	(400)	(204)

Transformation exceptional costs of £8 million relate to people-related restructuring in France. Store closure exceptional items of £67 million principally relate to redundancy costs. This followed formal consultations with employee representatives regarding the Group's plans to close 11 stores in France (of which three closed in H2 19/20) and 19 Screwfix Germany outlets (all closed in H1 19/20).

Exceptional costs of £130 million were recorded in FY 19/20 relating to our business in Russia, representing underlying store asset write-downs, additional impairments recorded on classification of the business as held for sale, and other exit costs.

As a result of our financial performance in FY 19/20, we revised the future projections for a number of stores across the Group's portfolio. This, combined with reduced freehold property valuations, resulted in the recognition of £118 million of asset write-downs in FY 19/20 (excluding Russia and Romania), principally relating to impairments of freehold and leasehold properties. These have been recorded principally in Castorama France, but also include B&Q in the UK and Iberia.

Impairments of £39 million have been recorded on goodwill and certain store assets relating to the Romania business. This has arisen due to a revision in future projections for the business, following continued trading losses in FY 19/20.

As announced in November 2019, we reached final settlement with the French Tax Authority (FTA) regarding the treatment of interest paid since FY 09/10. The total settlement was £75 million, of which £24 million was recorded as an exceptional charge (before tax), and £51 million was recorded as an exceptional tax item. A provision of £26 million has also been recognised in operating profit for an uncertain position in relation to a multi-year business tax in France.

A profit of £15 million was recorded on the disposal of properties in the UK and France. Other exceptional items of £44 million in FY 19/20 comprise principally impairments of IT intangible assets under development, reflecting modules of SAP and digital tools for which no further development is currently planned.

Financial review continued

Taxation

Kingfisher's adjusted effective tax rate is sensitive to the blend of tax rates and profits in the Group's various jurisdictions. It is higher than the UK statutory rate because of the amount of Group profit that is earned in higher tax territories. The adjusted effective tax rate for the year, calculated on profit before exceptional items, prior year tax adjustments and the impact of future rate changes, reduced to 26% (2018/19: 27%).

The overall effective tax rate includes the impact of exceptional items and prior year adjustments. The impact of these increased the rate from 26% to 92%, largely reflecting the exceptional tax charge related to the settlement with the French Tax Authority, and the applicable tax treatment of exceptional profit and loss items. These were offset by a release of prior year tax provisions which reflect a reassessment of expected outcomes, agreed positions with tax authorities and items that have time-expired.

	Pre-tax profit £m	Tax £m	2019/20 %	Pre-tax profit £m	Tax £m	2018/19 %
Adjusted effective tax rate	544	(144)	26%	567	(151)	27%
Exceptional items	(441)	41		(267)	63	
Prior year items	–	8		–	(19)	
Overall tax rate	103	(95)	92%	300	(107)	36%

The Group is potentially impacted by the European Commission's state aid decision published in April 2019, which concerns the UK's controlled foreign company rules. Along with the UK government and other UK-based international companies, Kingfisher has appealed the decision to the European courts. Further details are provided in note 35 of the financial statements.

As Kingfisher operates in numerous jurisdictions, international tax reform and the changes to the tax rules in countries around the world could impact the Group's future effective tax rate.

In addition, the Group's overall effective tax rate 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 statutory tax rates applicable to this financial year and the expected statutory tax rates for next year in our main jurisdictions are as follows:

	Statutory tax rate 2020/21	Statutory tax rate 2019/20
UK	19%	19%
France ¹	32%	34%
Poland	19%	19%

1. The tax rate in France was originally expected to be 32% in 2019/20. However, the reduction was retrospectively reversed, and the pace of future rate reductions slowed

Tax contribution

Kingfisher makes a significant economic contribution to the countries in which it operates. In 2019/20 it contributed £2.1 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:

	2019/20 £bn	2018/19* £bn
Total taxes paid as a result of Group operations		
Taxes borne	0.8	0.8
Taxes collected	1.3	1.3
Total tax contribution	2.1	2.1

* 2018/19 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 2019 survey ranked Kingfisher 28th (2018: 30th) for its Total Tax Contribution in the UK. In 2019, 99 (2018: 97) companies contributed to the survey.

Taxation governance and risk management

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

The responsibility for tax policy and management of tax risks lies with the Chief Financial Officer and the Group Tax & Treasury Director who engage regularly with the Board and the Audit Committee on all tax matters.

Tax risks can arise from changes in law, differences in interpretation of law and the failure to comply with the applicable rules and procedures. The Group seeks to take a balanced approach to tax risk having regard to the interests of all stakeholders including investors, customers, staff and the governments and communities in the countries in which it operates.

As a multinational group, operating in an increasingly complex and changing international corporate tax environment, some risk is unavoidable.

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

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

Adjusted basic earnings per share decreased by 3.5% to 19.1p, which excludes the impact of exceptional items and prior year tax items. **Basic earnings per share** decreased by 95.6% to 0.4p as set out below:

	Earnings £m	2019/20 EPS pence	Earnings £m	2018/19 EPS pence
Adjusted basic earnings per share	400	19.1	421	19.8
Net exceptional items	(400)	(18.3)	(204)	(9.6)
Prior year tax items	8	(0.4)	(19)	(0.9)
Net exchange differences on lease liabilities	–	–	(5)	(0.2)
Basic earnings per share	8	0.4	193	9.1

Dividends

In light of the unprecedented uncertainty caused by Covid-19, the Board will not propose a final dividend (2018/19: 7.49p) in relation to FY 19/20. The Board recognises the importance of dividends to shareholders and intends to consider the appropriateness, quantum and timing of future dividend payments when it has a clearer view of the scale and duration of the impact of Covid-19 on the business.

Return on capital employed (ROCE)

In FY 19/20 Kingfisher's post-tax ROCE was 8.6%, in line with the previous year. This compared to Kingfisher's weighted average cost of capital (WACC) of 7.2%. The impact of a decline in profit in all countries was offset by the impact on capital employed of property impairments undertaken in the year.

ROCE by geographic division is analysed below:

	Sales £bn	Proportion of Group sales	Capital Employed (CE) £bn	Proportion of Group CE	ROCE 2019/20	ROCE 2018/19
UK & Ireland	5.1	44.4%	3.0	48.2%	13.6%	13.0%
France	4.1	35.5%	1.8	28.8%	6.0%	6.4%
Other International	2.3	20.1%	1.4	22.4%	6.7%	7.6%
Central			–	0.6%		
Total	11.5		6.2		8.6%	8.6%

Financial review continued

Free cash flow

A reconciliation of free cash flow is set out below:

	2019/20 £m	2018/19 £m
Operating profit	283	480
Exceptional items	434	267
Operating profit (before exceptional items)	717	747
Other non-cash items ¹	566	577
Change in working capital	(127)	28
Pensions and provisions	(33)	(45)
Net rent paid	(469)	(463)
Operating cash flow	654	844
Net interest paid	(17)	(8)
Tax paid	(104)	(132)
Gross capital expenditure	(342)	(332)
Free cash flow	191	372
Ordinary dividends paid	(227)	(231)
Share buyback	–	(140)
Share purchase for employee incentive schemes	(10)	–
Disposal of assets and other ²	49	(30)
Net cash flow	3	(29)
Opening net debt	(2,542)	(2,678)
Movement in lease liabilities	40	157
Other movement including foreign exchange	(27)	8
Closing net debt	(2,526)	(2,542)

1. Includes principally depreciation and amortisation, share-based compensation charge and pension operating cost.

2. Includes exceptional cash flow items, principally relating to store closures, transformation costs and French Tax Authority (FTA) settlement.

Net debt (post-IFRS 16) as at 31 January 2020 was £2,526 million (2018/19: £2,542 million).

Operating profit before exceptional items was £30 million lower than last year, largely reflecting lower profits in France and Poland.

The working capital outflow of £127 million is driven by a £70 million increase in stock, largely attributable to store expansion and movements in foreign exchange rates, and a decrease in payables of £114 million largely reflecting timing differences and stock reduction initiatives, offset by a decrease in receivables of £57 million due to lower rebates receivables.

Gross capital expenditure for the year was £342 million (2018/19: £332 million). Of this, 27% was invested on refreshing and maintaining existing stores, 11% on new stores (excluding Screwfix), 28% on IT, 19% on transformation activities and 15% on other areas including Screwfix expansion and supply chain investment.

This resulted in free cash flow of £191 million. Disposal of assets and other of £49 million include proceeds from the disposal of assets (principally related to sale & leaseback transactions), net of other cash outflows including store closures and the FTA settlement. £227 million was returned to shareholders by way of ordinary dividends (2018/19: £371 million, including £140 million of share buybacks).

Management of balance sheet and liquidity risk and financing

Management of cash and debt facilities

Kingfisher regularly reviews the level of cash and debt facilities required to fund its activities. This involves preparing a prudent cash flow forecast for the medium term, determining the level of debt facilities required to fund the business, planning for repayments of debt at its maturity and identifying an appropriate amount of headroom to provide a reserve against unexpected outflows. With regards to the impact of the coronavirus crisis on cash and debt, refer to the directors assessment of going concern within note 3 of the consolidated financial statements for details of cash flow scenario modelling.

Net debt to EBITDA

The Group ended the period with £2.5 billion of net debt on its balance sheet including the recognition of £2.6 billion of total lease liabilities under IFRS 16. The ratio of the Group's net debt to EBITDA on a moving annual total basis was 2.0 times as at 31 January 2020 (2.0 times at 31 January 2019). At this level, the Group has financial flexibility whilst retaining an efficient cost of capital.

Net debt to EBITDA is set out below:

	2019/20 £m	2018/19 £m
Retail profit	786	824
Central costs	(62)	(69)
Depreciation and amortisation	545	535
EBITDA	1,269	1,290
Net debt	2,526	2,542
Net debt to EBITDA	2.0	2.0

Credit ratings

Kingfisher holds a BBB- credit rating with Fitch, (P) Baa2 rating with Moody's, and a BBB- rating with Standard and Poor's. Kingfisher aims to maintain its investment grade rating, whilst investing in the business where economic returns are attractive and (in normal circumstances) paying an annual dividend to shareholders.

Revolving credit facilities

At 31 January 2020, the Group had undrawn revolving credit facilities (RCFs) of £225 million due to expire in March 2022 and £550 million due to expire in August 2022.

In May 2020, Kingfisher entered into a new committed RCF with a syndicate of its relationship banks, comprising £250 million, due to expire in May 2021.

Other borrowings

In July 2018, following a reverse enquiry, a €50 million Floating Rate Note (FRN) was issued under Kingfisher's €2.5 billion European Medium Term Note (EMTN) programme. The note matures in July 2020.

The Group also has two fixed term loans: €50 million maturing in September 2021 and £50 million maturing in December 2021.

Covenants

The terms of the committed RCFs and the £50 million term loan require that the ratio of Group operating profit (excluding exceptional items), to net interest payable (excluding interest on IFRS 16 lease liabilities) must be no less than 3:1 for the preceding 12 months as at the half and full year ends. At 31 January 2020, Kingfisher's ratio was higher than this requirement.

Prêt garanti par l'État

In May 2020, Kingfisher arranged a €600 million (c.£535 million) term facility with three French banks in support of its operations in France. The loan is guaranteed at 80% by the French State ('Prêt garanti par l'État') and has a maturity of one year, extendable for up to five years. As required under the terms of the loan, the full amount was drawn down on 18 May 2020.

Euro Commercial Paper (ECP) programme and Covid Corporate Financing Facility (CCFF)

The Group has recently established a ECP programme which allows it to issue short term commercial paper for periods from one week up to 12 months into the market to provide liquidity. The establishment of this programme allows the Group to participate in the CCFF, as well as access funding through standard commercial paper issuance.

Following the UK Government's announcement on 17 March 2020, the Group applied for the Bank of England's CCFF, which has been made available to assist UK businesses to bridge COVID-19 related disruption to their cash flows. The Bank of England has confirmed that the CCFF will remain in place for at least 12 months and it will purchase short term GBP paper from eligible companies that make a material contribution to the UK economy.

On 12 May 2020, Kingfisher announced its eligibility to access funding under the CCFF. On 12 June, Kingfisher issued £600 million of 11-month commercial paper under the CCFF.

Financial review continued

Total liquidity

As at 12 June 2020, the Group had access to over £3 billion in total liquidity, including cash and cash equivalents of c.£2 billion, and access to over £1 billion of funding under the RCFs.

Further details of Kingfisher's debt and facilities can be found at www.kingfisher.com.

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;
- to provide returns for shareholders and benefits for other stakeholders; and
- to maintain an investment grade credit rating.

The Group manages its capital through:

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

Kingfisher Insurance Designated Activity Company (Ireland), a wholly owned subsidiary, is subject to minimum capital requirements as a consequence of its insurance activities. The Group complied with the externally imposed capital requirements during the year.

Pensions

As at 31 January 2020, the Group had a net surplus of £277 million (2018/19: £205 million net surplus as at 31 January 2019) in relation to defined benefit pension arrangements, of which a £404 million surplus (£320 million surplus as at 31 January 2019) was in relation to the UK scheme. The favourable movement in the net surplus is driven by returns on the UK scheme assets more than offsetting the actuarial losses on the liabilities due to a lower discount rate assumption. This accounting valuation is sensitive to a number of assumptions and market rates which are likely to fluctuate in the future.

Property

Kingfisher owns a significant property portfolio, almost all of which is used for trading purposes. A valuation was performed for internal purposes in October 2019 with the portfolio valued by external professional valuers. Based on this exercise, on a sale and leaseback basis with Kingfisher in occupancy, the value of property is £2.9 billion as at 31 January 2020 (2018/19: £3.4 billion). The decrease of £0.5 billion in property value largely reflects an underlying decline in property market value in France and the UK of £0.3 billion, and £0.2 billion from property disposals and adverse movements in foreign exchange rates.

	2019/20 £bn	2019/20 Yields	2018/19 £bn	2018/19 Yields
France	1.4	8.1%	1.8	7.4%
UK	0.6	5.8%	0.7	5.7%
Poland	0.6	7.4%	0.6	7.7%
Other	0.3	–	0.3	–
Total	2.9		3.4	

This is compared to the net book value of £2.2 billion (2018/19: £2.5 billion) recorded in the financial statements (including investment property and property included within assets held for sale). Balance sheet values were frozen at 1 February 2004 on the transition to IFRS.

IFRS 16 Leases

The IFRS 16 'Leases' accounting standard applies to Kingfisher from 1 February 2019, replacing the previous standard IAS 17. The Group has adopted the full retrospective transition option and therefore has restated comparatives. Refer to note 37 of the consolidated financial statements for detailed restatement tables and associated commentary.

A reminder of the nature of the principal impacts is provided below.

Lessee accounting

For operating leases in which the Group is a lessee, the Group recognises a new right-of-use asset and a new lease liability for its leases of properties and equipment assets. Finance leases, rent prepayments and accruals, and onerous lease provisions for rental charges are derecognised under IFRS 16. Under IFRS 16 the income statement expense comprises a straight-line depreciation charge on the right-of-use asset and a front-loaded interest charge on the lease liability, both over the term of the lease. For an individual lease, this provides an overall front-loaded expense profile compared with the straight-line rental charge recognised under IAS 17. The historical discount rates applied have been based on the incremental borrowing rate where the implicit rate in the lease is not readily determinable. The lease term comprises the non-cancellable lease term, in addition to optional periods when the Group is reasonably certain to exercise an option to extend (or not to terminate) a lease.

Lessor accounting

There are no significant impacts for leases in which the Group is a lessor. Where the Group subleases assets, it is determined whether the sublease should be classified as an operating lease or a finance lease, with reference to the right-of-use asset (not the underlying asset as per IAS 17).

Impacts of adopting IFRS 16

- No impact on the Group's underlying economics, cash flows or ability to pay dividends.
- IFRS 16 impact is driven by the UK lease portfolio, given a much higher proportion of leased stores than other geographies.
- No impact on sales.
- Increase in retail profit across all banners driven by the elimination of IAS 17 rental expenses, only partially offset by the recognition of depreciation on IFRS 16 right-of-use assets.
- Recognition of interest charge on IFRS 16 lease liabilities results in a broadly neutral overall impact on adjusted pre-tax profit.
- Exceptional items have been impacted by right-of-use asset impairments under IFRS 16 replacing onerous lease rental provisions under IAS 17.
- Adjusted effective tax rate remains broadly unchanged.
- Adjusted EPS impacts are broadly neutral, reflecting similar impacts on adjusted earnings. Basic EPS is impacted by the change, after exceptional items, in statutory post-tax profits.
- No change to reported cash and cash equivalents and net movement in these.
- Presentational changes to the cash flow statement principally comprise the reclassification of rent paid from operating profit to separate rental payment lines.
- Net debt increases significantly with the inclusion of IFRS 16 lease liabilities, replacing IAS 17 finance lease liabilities. The ratio of net debt to EBITDA ('lease adjusted net debt to EBITDAR' under IAS 17) reduces due to lower lease liabilities than the previous 8x rent assumption.
- Restatement to IFRS 16 has removed the lease adjustments to both profit and capital employed, reflecting the newly capitalised leases. This has reduced ROCE; profit has been reduced as lease costs are no longer added back (partially offset by higher retail profit under the new standard) and capital employed has been reduced as the value of capitalised leases is less than the 8x multiplier previously assumed. As the profit impact is relatively more significant than the capital employed impact the net effect is a lower ROCE.

Refer to note 37 of the consolidated financial statements for detailed restatement tables and associated commentary.

Risks

Risk management

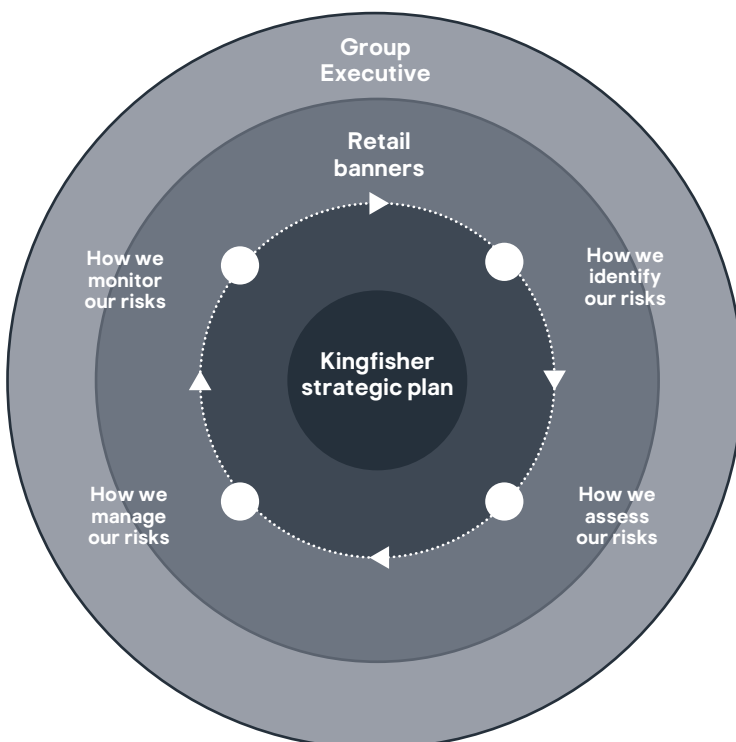
Given the scale of our businesses, the Board of Directors recognises that the nature, scope and potential impact on our business and strategic risks is subject to change. As such, the Board has implemented the necessary framework to ensure that it has sufficient visibility of the principal risks and the opportunity to regularly review the adequacy and effectiveness of our mitigating controls and strategies. During the year, the Board has 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 accepted risk, supported by high-level risk statements, ensuring that risks are proactively managed to the level agreed by the Board.

Our approach to risk management

To **identify our risks**, we start with our strategic objectives and consider what might stop us achieving our plan 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 retail banner and functional level. Meetings are held with our retail banner and functional leadership teams to identify the risks within their operations. These are consolidated and used as one of the inputs to identify and validate our principal risks. In addition, a series of discussions are held with the Group Executive and non-executive directors.

To **assess our risks**, we consider the potential financial, reputational, regulatory or operational impact and the probability that each risk may materialise. This helps us to assess the nature and extent of internal control we need to implement to manage the risk to an acceptable level.

Risk management process



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 Group's operations, and before considering the impact of the controls in place. We have considered whether the risk is increasing, decreasing or remains unchanged.

To **manage our risks**, ownership is assigned at all levels. Each retail banner and functional leadership team owns and is responsible for managing its own risks, putting appropriate controls in place and monitoring procedures to verify that the controls are operating effectively. The same process is followed for our principal risks.

To ensure we effectively **monitor our risks**, the principal risks are reviewed by the Group Executive and Board twice a year. Changes to the principal risks and mitigation activities 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 retail banners and functional areas. These presentations include the risk assessment, enabling the Audit Committee to monitor the risks and level of control in place. Internal Audit also considers the risks at the operational and Group level when developing the internal audit plan. Going forward, face-to-face meetings between retail banner and functional leadership teams and the Chairman of the Audit Committee will take place each year.

The Corporate Governance report on page 50 gives further details about our governance processes.

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 retail banner risks.

Retail banner boards

The retail banner boards are accountable for identifying, assessing and managing the risks within their retail banner.

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.

This year's update

We have made some changes to our principal risks this year following a review by the Board and Group Executive. We have identified four new risks:

Contagious Diseases: A prolonged global health threat could adversely affect our business by disrupting our and our partners operations, causing a significant reduction in footfall and consumer spending and by negatively impacting our ability to receive products from affected countries. Also, high levels of absence in our workforce could impact our ability to operate stores or provide appropriate functional support to our business.

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

Competition: Intensifying competition may put downward pressure on sales and margins and could have an adverse effect on our revenues and profitability. We compete with many companies in each of our markets. Targeted actions by competitors could negatively impact our market share, the value of our assets and our financial results.

Reputation and Trust: Our customers, colleagues, suppliers and the communities in which we operate expect us to conduct our business in a way that is responsible. Our Code of Conduct establishes the behaviours we expect of ourselves and others and we have publicly communicated ambitious Responsible Business targets. Failure to deliver on our obligations and commitments could undermine trust in Kingfisher, damage our reputation and impact our ability to meet our strategic objectives.

Divestments and Acquisitions: As part of the optimisation of our business activities we may from time to time divest activities or acquire new businesses. Divestments or acquisitions are based on detailed plans that assess the value-creation opportunity for the company. These plans are inherently uncertain and provide execution and market risks which might have been overlooked or incorrectly forecasted. If an existing, or future, divestment or acquisition effort is delayed or is not successful, we may incur additional costs and the value of the asset may decrease significantly and have an adverse effect on our revenues and profitability.

We have also made some changes to existing risks to be clearer about the nature of the risk and the impact on the business. The key changes are as follows;

Level and Impact of Change: We have always recognised that change has the potential to disrupt our business. We have now updated this risk to highlight how failing to prioritise and manage change, including the delivery of underpinning technologies, could impact delivery of our strategic objectives.

Business Resilience: This risk was previously called Technology Delivery and reflected technologies being delivered as part of our strategic change programmes.

We have updated this risk to reflect the critical importance of technology to our business beyond our change programmes. We are also dependent on complex supply chains and delivery solutions. Disruption to either could have a significant effect on our business.

Changing Customer Preferences: This risk was previously called Channel Development.

Unifying our Offer and Processes: We have made significant progress in unification and our objective now is to offer a compelling product range in ways that our customers value. We have therefore removed this as a principal risk and address the residual risk areas in other of our principal risks.

Emerging Risks

We recognise the need to identify and monitor emerging risks. These risks are known but are difficult to fully assess and quantify at the current stage. In line with our principal risks we have considered the following emerging risks:

Environment: The impact of climate change and the environmental impact of consumption of man-made materials are not new risks but public awareness and expectation has increased in recent years. Further details of these risks and our response are covered in the Responsible Business section on pages 22 to 25.

New Technologies: Technology is constantly evolving, impacting customer-facing and back-office activities. Technological change presents both an opportunity and a risk and we may need to adapt our ways of working to benefit from the potential of new technologies and remain competitive.

Emerging risks are owned by the related functions and may become principal risks in the future. During 2020/21 we will further develop our processes relating to the identification and assessment of our emerging risks.

Principal Risks

Key:  Increasing  No change  Decreasing

1 Level and Impact of Change

As we continue to evolve our business, there are significant programmes of work underway targeting improvements in our offer, market positions and cost base. These programmes may not achieve their objectives and have the potential to disrupt our business if we fail to properly prioritise activity and manage change effectively. Failure to realise programme targets and/or business disruption could result in weaker than anticipated sales growth and a failure to maintain operating margins or generate sufficient cash to meet our objectives.

How our risks have changed



No change

Change has been a constant feature of our business for some time and we have established processes in place to manage, monitor and report the delivery of strategic activities arising from these programmes.

Link to strategic priorities

- 'Focus and fix' in 2020
- Move to a balanced, simpler local-group operating model with an agile culture
- Grow e-commerce sales

How we manage and monitor the risk

- Central Transformation & Results Delivery Office established with Group Executive-level leadership.
- Clearly prioritised strategic change taskforces established with Group Executive ownership and measurable outcomes.
- Monthly tracking against key milestones and reporting to the Group Executive and the Board.
- Regular strategic updates to the Board.
- Retail banner Transformation Directors in place to design and deliver change into the business.
- Periodic reviews of governance and enabling activities undertaken by Internal Audit.

- Build a mobile-first, service orientated customer experience
- Differentiate and grow through own exclusive brands (OEB)
- Test new store concepts and adapt our store footprint
- Source and buy better, reduce our costs and our inventory

2 Contagious Diseases

A prolonged global health threat could adversely affect our business by disrupting our and our partners operations, causing a significant reduction in footfall and consumer spending and by negatively impacting our ability to receive products from affected countries. Also, high levels of absence in our workforce could impact our ability to operate stores or provide appropriate functional support to our business.

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

How our risks have changed



New risk

Link to strategic priorities

- 'Focus and fix' in 2020
- Responsible business

How we manage and monitor the risk

We monitor the development of such events closely, convening a Group-led Crisis Committee to bring together functional leaders to determine the additional actions necessary to manage the consequences of a situation and its impact on our people and operations.

We started to convene the Group Crisis Committee in late January to consider the impact of the Covid-19 outbreak. Since then, the Committee has met frequently to monitor events and response strategies closely. The Board provides regular oversight to evaluate the impact of Covid-19 on Kingfisher, including impact on long term viability and going concern.

The health and safety of our colleagues and customers has remained our top priority, alongside supporting governments to limit the spread of the virus. We have mobilised business continuity and crisis teams in each of our markets with response measures including:

- Implementing changes to our stores (the majority initially closed for browsing, with a move to contactless click and collect or home delivery models and a limit on ranges to essential items. Almost all of our stores are now open with strict hygiene and social distancing measures enforced).
- Redeploying or furloughing selected Group colleagues.
- Moving office-based staff to a work from home basis.
- Significantly reducing discretionary spend, including freezing of pay reviews and recruitment.
- Stopping all non-committed capital expenditure.
- Taking advantage of other working capital optimisation measures, e.g. delays or holidays for rates and taxes.
- Reprioritisation of sourcing requirements and adjusting purchasing plans.

We will continue to adjust our response activities as publicly available information evolves.

3 Business Resilience

Technology is key to our business and the achievement of our strategic objectives. We are increasingly reliant on resilient and secure systems and networks to maintain our operations. Similarly, we are dependent on complex supply chains and delivery solutions to deliver our products to our customers. A significant failure of our IT infrastructure or key systems could result in the loss of data or an inability to operate efficiently, with an adverse financial, regulatory or reputational impact. A disruption to our supply chain could have a similar impact.

How our risks have changed



No change

We recognise that complexity in our business and supply chain inevitably results in a high level of risk. We maintain a programme of continuous improvement to understand and manage the evolving risk landscape.

Link to strategic priorities

- Grow e-commerce sales
- Build a mobile-first, service orientated customer experience
- Source and buy better, reduce our costs and our inventory

How we manage and monitor the risk

IT infrastructure:

- A common IT infrastructure is in place across our markets. We work closely with our suppliers to maintain the stability of our environment.
- We operate from highly resilient data centres that are tested regularly.
- We have tested and proven everything that is essential/common to the 'infrastructure stack'. We continue to learn and enhance both our solution and our understanding.
- We have been operating core solutions with volume/stress for some time and we continue to assess the efficiency and capability of the solution/infrastructure. Where appropriate we have taken action to ensure we have an environment that is fit for purpose.
- We deploy a robust suite of tools to identify and manage internal and external threats to our infrastructure, systems and platforms.
- Service continuity is embedded with our IT culture.

Supply chain:

- A new three-year Supply and Logistics roadmap will be developed in 2020/21 which will consider our future logistics capacity needs based upon the various sourcing, inventory and sales generative strategies identified in the Group's strategic planning activities.
- A full review of our business continuity plans is underway looking at our internal points of failure and key partner disaster-recovery plans to ensure that a response to supplier and logistics failures is also built into the actions. Plans are being tested live as part of our Covid-19 response activities.
- The Group Supply Chain function has established a programme management office that governs all major supply chain change programmes. This links into the overall Group strategic governance framework.
- We identify key suppliers by category to establish capacity and volumes and assess the impact of an interruption in supply.
- See Principal Risk 7 for more detail about Brexit planning.

4 Competition

Intensifying competition, including online, may put downward pressure on sales and margins and could have an adverse effect on our revenues and profitability. We compete with many companies in each of our markets. Targeted actions by competitors could negatively impact our market share, the value of our assets and our financial results.

How our risks have changed



New risk

Link to strategic priorities

- Build a mobile-first, service orientated customer experience
- Differentiate and grow through own exclusive brands (OEB)
- Source and buy better, reduce our costs and our inventory

How we manage and monitor the risk

We monitor our performance to react quickly to targeted actions by competitors via:

- Enhanced rapid-insight key performance metrics.
- Reinforced performance reviews tracked by the Offer and Sourcing board to respond to risks.

We are building a differentiated offer through:

- Customer trend monitoring in all our markets to anticipate and develop an appropriate offer.
- A clearly defined set of range principles and customer projects to create a compelling offer and to reinforce differentiation of our offer to build sales growth and margin improvement.
- Periodic review of the offer strategy and range review roadmap to prioritise key programmes.
- Building strong programmes, deployed across the Group, to benefit from volume and lower purchase price to be able to compete on prices.

We are focusing on a strong customer journey, including:

- End-to-end project planning activities to ensure 'in full, in time' delivery.
- Supplier management processes in place covering selection, risk assessment, monitoring of supplier responses and communication.
- Clear minimum standards for suppliers covering credit, sustainability, quality and technical.
- Dual sourcing where needed to avoid disruption in the event of supplier failure.

Principal Risks continued

Key:  Increasing  No change  Decreasing

5 Changing Customer Preferences

As customer preferences change, we must ensure we have innovative digital channels supported by a strong and agile infrastructure, including supply chain and logistics capability and an optimised property portfolio, to make our product sufficiently compelling to customers and available when and where they want it. Failure to optimise our channels could affect our ability to stimulate spend and deliver the desired sales growth. It could also adversely impact the value of our assets and our financial results.

How our risks have changed



Increasing

Failure to keep pace with changing customer preferences is a key risk for us and an area we recognise is evolving rapidly. We continue to enhance our priorities and processes to manage and monitor the risk.

Link to strategic priorities

- ‘Focus and fix’ in 2020
- Grow e-commerce sales
- Build a mobile-first, service orientated customer experience
- Test new store concepts and adapt our store footprint

How we manage and monitor the risk

- During the year, we made eight new appointments to the Group Executive, two of which were the roles of Chief Customer and Digital Officer and Chief Supply Chain Officer. We have also brought together the Digital and IT teams to better align their activities.
- A Group digital strategy has been developed, with various digital priority programmes underway.
- We have an established regular Digital Governance Forum to monitor financial and project portfolio performance and to prioritise upcoming digital initiatives.
- We have launched a number of strategic programmes which include store concepts and service platforms, offer and range, and our digital journey.

6 Political and Market Volatility

Geopolitical uncertainty and local volatility, including strikes and work stoppages, exist across all the markets in which we operate, exposing us to potential risks which may impact consumer confidence, availability of our workforce or negatively impacting our ability to receive products from affected countries potentially disrupting the day-to-day operations of our business.

How our risks have changed



Increasing

We have seen an increased level of uncertainty relating to the economy across our key markets, heightened geopolitical tensions, disruption in some of our markets and continued currency volatility.

Link to strategic priorities

- Move to a balanced, simpler local-group operating model with an agile culture

How we manage and monitor the risk

Treasury mitigations

- The provision of supply chain finance programmes to support suppliers. Additional information on these arrangements can be found in note 21 of the consolidated financial statements.
- Portfolio of international banking partners that provide flexibility and reliable local retail cash and card payment processing services.
- Access to funding, both debt funding, including an up-to-date Debt Capital Markets programme, and significant committed liquidity facilities.
- Diversification of cash holdings across a number of financial institutions with the strongest short-term credit rating.
- An appropriate and prudent mix of hedging policies, cash deposits and debt financing to minimise the impact of foreign exchange currency volatility on the company.
- Offer and pricing strategies designed to address consumer confidence.

Monitoring and engagement activities

- The Corporate Affairs team actively monitors the political and economic situations in the countries in which we operate or which may impact our operations.
- Strategies in place to identify, monitor and aim to influence changes to legislation which may impact the business.
- The Corporate Affairs team oversees direct policy and political engagement with dedicated resource in the UK, France, Belgium, Poland and Romania. This is supported by local representatives in our retail banners and our membership of key business trade associations in every market.
- Crisis management processes and teams in place to monitor and manage situations as they arise.
- Group Offer and Sourcing teams manage supplier relationships with the aim of managing cost and quality and maintaining appropriate levels of product availability through periods of disruption.

7**Brexit**

Following completion of the UK exit agreement, significant risks remain from the ongoing negotiation of the future trade agreement with the European Union and possible divergence of the UK regulatory framework. Failure to reach an adequate agreement within the currently agreed transition period may impact our purchase costs, the continuity of our supply chain and our ability to operate our European businesses as we do today. These conditions also present economic uncertainty impacting UK consumer confidence.

How our risks have changed**No change**

This risk has reduced since the conclusion of the UK exit agreement at the end of January 2020 and avoidance of the previous no-deal Brexit scenario. However, the risks surrounding the ongoing trade negotiations remain significant.

Link to strategic priorities

- Move to a balanced, simpler local-group operating model with an agile culture
-

How we manage and monitor the risk

- A multi-functional Kingfisher Brexit Steering Group has been in place since the 2016 referendum. This group is responsible for monitoring the Brexit process and agreeing actions.
 - We continue to engage directly with Government and alongside key trade bodies.
 - We continue to consider different Brexit scenarios, preparing mitigation plans across key operational areas, including:
 - Import duties and related import costs and mitigations through alternative sourcing arrangements.
 - Improvements to importation and customs clearance processes to avoid delays at borders.
 - Supply chain disruption risks and use of alternative ports and distribution arrangements.
 - Working closely with our suppliers to ensure they have similarly made adequate preparation.
 - Updating our product standards and documentation to ensure products remain compliant for sale in both EU and UK markets.
 - Monitoring and updating our regulatory procedures generally.
-

8**Attracting, Retaining and Investing in our People Capability**

Our colleagues are critical to the successful delivery of our strategy and business. Failure to achieve an effective organisational design, appropriate ways of working and the right balance of skills, capability and capacity as well as adequate succession plans, could impact our ability to meet our business objectives.

How our risks have changed**No change**

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 have plans in place to manage these.

Link to strategic priorities

- 'Focus and fix' in 2020
 - Move to a balanced, simpler local-group operating model with an agile culture
 - Lead the industry in Responsible Business practices
-

How we manage and monitor the risk

- We have announced the appointment of a new Chief People Officer to the Group Executive.
 - Work has continued through the year to ensure our HR processes, policies and guidelines are fit for purpose and in line with our ambition with a focus on recruitment, reward, talent and engagement.
 - The Nomination Committee oversees the Board composition and succession planning, and the Remuneration Committee oversees the reward policy.
 - We have ensured time allocated at Group Executive and Board meetings to work on succession planning, holding leaders accountable for developing their own successors.
 - We have continued to invest in leadership and talent programmes to strengthen succession pipelines and drive change. These include development activities for our store-based colleagues and how we support and recognise the role of our customer advisors across the organisation.
 - Delivery of Home Improvement and Range Academies to build capability and inform colleagues of new ways of working and product ranges.
 - Engagement processes are in place to enable us to check across all our colleagues our ability to drive the changes we need whilst being able to respond to insights which may impact on our duty of care as an employer.
-

Principal Risks continued

Key:  Increasing  No change  Decreasing

9 Legal and Regulatory

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

How our risks have changed



Increasing

Regulatory requirements are increasing in many areas and therefore we see this as an area of increasing risk.

Link to strategic priorities

- Source and buy better, reduce our costs and our inventory
- Lead the industry in Responsible Business practices

How we manage and monitor the risk

- 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.
- Group-wide mandatory training on Code of Conduct (which includes a module on anti-bribery and corruption) was rolled out in 2019 and will be continued in 2020.
- Responsibility for compliance with our Code of Conduct rests with each retail banner Chief Executive Officer.
- Appropriate resources are available to our retail banners to ensure that both colleagues and suppliers are aware of, and comply with, the Code of Conduct.
- Legal teams at Group-level and in each of our retail banners work and communicate together to form a legal and compliance network.
- Communications teams at Kingfisher and each of our retail banners work together to form a communications network.
- A Crisis Communications team is in place to manage major incidents.
- Policies and procedures are in place to support the health and safety, environmental, ethical, fraud, data protection, crisis management, legislative and regulatory areas. Health & safety data is reported quarterly to the Board.
- Modern Slavery Steering and Working Groups oversee an action plan to address risks of modern slavery and our annual transparency statement, which is published in line with legal requirements.
- Data Protection training is in place for all colleagues and a Fair Competition training module is available to key individuals in high-risk areas.
- Anti-bribery training is in place and all key individuals must complete this training.
- A whistleblowing hotline, facilitated by an independent third party, is in place throughout the Group. All calls are followed up and investigated where necessary. Statistics and trends are monitored at the local Audit Committee level and reported regularly to the Board.
- A risk-based third-party due diligence process is in place to assess and mitigate risks such as bribery and corruption, personal data processing and modern slavery.
- A Group policy and training is in place for appropriate colleagues to make them aware of their obligations under the Market Abuse Regulation.

10**Cyber and Data Security**

The risk of a sustained cyber-attack has increased in the retail sector. Failure to meet our legal and regulatory obligations in respect of data privacy and security could result in financial penalties and adverse reputational damage, as well as impacting our ability to maintain efficient operations.

How our risks have changed**Increasing**

In line with other organisations we continue to see an increase in the frequency and sophistication of cyber-attacks and security incidents which require us to remain vigilant in this area. The risk is extending beyond traditional IT environments into business processing and supply chain increasing the risk landscape.

Link to strategic priorities

- Grow e-commerce sales
- Build a mobile-first, service orientated customer experience
- Lead the industry in Responsible Business practices

How we manage and monitor the risk**Cyber security**

- Cyber security continues to receive Group Executive-level sponsorship and Board focus.
- Dedicated IT Governance boards are established to monitor this evolving risk and the associated mitigating controls.
- As part of our IT planning processes, we have established a roadmap which covers security, governance and identity initiatives to continue to mature the tools and capabilities we have available to us.
- Independent reviews are performed of our cyber security processes and initiatives on an annual basis.
- We regularly review the cyber threats facing Kingfisher and have been working with partners and security specialists to implement tools and processes to better identify and remediate vulnerabilities.

Data protection

- A data protection organisational structure has been deployed within the Group.
 - We have data protection and management policies in place.
 - Data protection has been enhanced in light of GDPR including:
 - Data privacy impact assessments.
 - Assessments for new and existing suppliers.
 - Annual e-learning awareness training for all colleagues.
 - Checkpoints within IT developments to ensure compliant design and delivery.
-

Principal Risks continued

Key:  Increasing  No change  Decreasing

11 Reputation and Trust

Our customers, colleagues, suppliers and the communities in which we operate expect us to conduct our business in a way that is responsible. Our Code of Conduct establishes the behaviours we expect of ourselves and others and we have publicly communicated ambitious Responsible Business targets. Failure to deliver on our obligations and commitments could undermine trust in Kingfisher, damage our reputation and impact our ability to meet our strategic objectives.

How our risks have changed

 **New risk**

Link to strategic priorities

- 'Focus and fix' in 2020
- Lead the industry in Responsible Business practices

How we manage and monitor the risk

Governance

- Our Code of Conduct establishes the core behaviours we expect of ourselves and others and we have publicly communicated ambitious Responsible Business principles and measures. See principal risk 9 for more detail.
- A new Responsible Business Committee of the Board has been established (see the Responsible Business section on pages 22 to 25).
- Our annual reward measures help to ensure that Environment, Social and Governance (ESG) issues and stakeholder concerns are further prioritised.

Issues Tracking and Stakeholder Dialogue

- Monitoring of external stakeholders' views of our company through traditional and digital media for all our companies.
- Regular stakeholder engagement and employee engagement means that listening and responding to stakeholder concerns is fully entrenched within the corporate strategy.
- For colleagues, this ranges from established Employee Forums and Works' Councils in all of our businesses including a collective forum that meets with the CEO and members of the Board, including the Chairman.
- Externally we have regular engagement with NGO partners in our key markets, including Shelter, Forum for the Future, Green Alliance, and the Centre for European Reform, which helps to ensure that the company remains close to social and environmental concerns. (Read more about company stakeholder engagement on pages 18 to 19 and Board stakeholder engagement on pages 56 to 57).

Due Diligence and External Assurance

- Our Annual Report covers how we manage our business in the interests of all stakeholders in line with section 172 of the Companies Act while our annual Responsible Business report covers our approach and performance on ESG issues in greater depth.
- Our due diligence of suppliers covers a range of ESG issues, from environment to modern slavery; and includes our policy framework and supplier standards which we expect suppliers to adhere to; supplier training and capacity building; and auditing of high-risk suppliers.
- Our due diligence extends to the data we disclose. Selected ESG data in the annual Responsible Business report and Modern Slavery Statement is independently audited by DNV GL.
- Independent ratings agencies also monitor and rate our ESG performance throughout the year – including MSCI, CDP, Sustainalytics and ISS ESG.

Communications and Issues Management

- Kingfisher and its companies have a network of communications teams, who undertake comprehensive communications planning for key developments and issues. We work with a network of external reputation advisers in all our key markets.
- Kingfisher plc maintains a Crisis Management Framework and Business Continuity Plans for all the Group. This includes a Crisis Communications Plan and core central team made up of the Internal Audit and Risk Director; Director of Enterprise Risk; Corporate Affairs Director; and Head of Media Relations.

12 Acquisitions and Disposals

As part of the optimisation of our business activities we may from time to time divest activities or acquire new businesses. Divestments or acquisitions are based on detailed plans that assess the value creation opportunity for the company. These plans are inherently uncertain and provide execution and market risks which might have been overlooked or incorrectly forecasted. If an existing, or future, divestment or acquisition effort is delayed or is not successful, we may incur additional costs and the value of our asset may decrease significantly and have an adverse effect on our revenues and profitability.

How our risks have changed **New risk****Link to strategic priorities**

- 'Focus and fix' in 2020
- Move to a balanced, simpler local-group operating model with an agile culture

How we manage and monitor the risk

- We have created a Group Investment Committee (GIC) and strengthened review and approval activities of potential acquisition and disposal activity through the Finance Committee.
 - The Group delegation of authority requires Kingfisher plc Board scrutiny and approval of all mergers and acquisitions (M&A) activity exceeding £10 million in value and CEO approval for all activity below £10 million.
 - Our long-term business plan process regularly assesses the business strategy and performance of each entity within the portfolio against strategic KPIs.
 - The Group Executive conducts periodic deep dives on portfolio performance.
 - The Audit Committee receives a rolling review of business unit risks and operations throughout the year.
 - We have a dedicated M&A function with appropriately skilled experts and use of approved external advisors. Clear accountability for M&A process rests with the Chief Transformation and Development Officer.
 - We have a structured M&A project management approach including a transaction playbook and project governance that ensures all relevant functional experts are consulted in the M&A process.
-

Viability statement

This viability statement should be read in conjunction with the description of the Group's business model and strategy, which are set out on pages 16 to 17 and 5 to 10, respectively.

The Directors assess the Group's prospects on a regular basis and in particular progress against the strategic objectives set out in its three-year plan. Kingfisher's planning process produces plans by retail banner that are consolidated to generate the Group plan. The plans deliver forecasts of the Group's financial performance including cash flows and allow the Directors to assess the Group's liquidity position and adequacy of funding. Sensitivity analysis of the main assumptions underlying the plans is also carried out. The plans are approved by the Directors and financial budgets and KPIs are subsequently used to monitor performance during the year via periodic performance reviews.

The Board undertakes strategic business reviews when it meets and has considered the longer-term risks and opportunities for the Group, as discussed in the Strategic report, with specific attention given and additional meetings convened to consider the impact of the Covid-19 pandemic. While the pandemic presented immediate issues for the Group to address at its outset, the retail banners have demonstrated an ability to trade safely across all of its markets and, as a designated essential service in most markets, the Directors consider the longer-term impact of Covid-19 on the Group's prospects to be manageable.

The Directors assessment of viability has been made over a three-year period, taking into account:

Covid-19:

- The uncertainty of the impact and duration of the pandemic; the impact of mitigation strategies implemented by governments in the markets in which the company operates.
- Expectations on the future economic environment and in particular the risk of lower household and trade spending on home improvement; the potential impact of Covid-19 on competitor and customer behaviours.
- The Group's ability to cover cash outflows should the impact of the pandemic be prolonged or more severe and the availability of funding.

Brexit:

- Possible impacts of Brexit on UK consumer spending, cost of goods and services, supply chain effectiveness and our ability to operate our European business as we do today.

Other ongoing matters:

- The Group's current financial and operating position and prospects.
- Market trends including the growth of online, the shift to smaller formats and changes in customer preferences.
- The company's new strategy and change in operating model.
- Levels and impact of change, including changes in the competitive environment.

In determining the appropriate period, the Directors considered that the three-year period is consistent with the company's three-year strategic business planning period and the period over which the Group considers its principal risks. The designation as 'essential retailer' in key markets, coupled with the successful operation of stores while adhering to strict social distancing and safety procedures, indicate that the Group would be able to offset a significant share of the negative impact on sales of stricter confinement rules that could be reintroduced following a resurgence of the Covid-19 pandemic. Considering this, and the extent of available actions to maintain liquidity as detailed in the directors' assessment of going concern within note 3 of the consolidated financial statements, the Directors concluded that it is appropriate to continue to consider viability over a three-year period.

The Directors acknowledge the heightened uncertainty of the Group's strategic plans in the current environment and recognise the more volatile global economy with associated impacts on competitor and customer behaviours. In testing the viability of the company, the Directors assessed each of the principal risks, including those that would threaten the company's business model, future performance, solvency and liquidity. The risks identified were translated into different financial scenarios. The risks and modelling outputs were reviewed by the Board to enable it to conclude it has enough information to form a reasonable expectation as to the company's longer-term viability.

In its scenario modelling, the Group stress tested forecast cashflows to reflect a range of possible adverse effects of Covid-19, in particular the demand impacts resulting from restrictions on mobility and trading in our key markets. Further detail of the financial impact of the scenarios modelled is included in the directors' assessment of going concern within note 3 of the consolidated financial statements. Should the impact of the pandemic be more prolonged or severe than currently forecast by the Directors, further operational and financial measures would be taken. In addition, the Group's liquidity has been strengthened to meet more extreme scenarios by accessing a term facility of €600 million provided by three French banks (guaranteed by the French government), issuing £600 million in Commercial Paper under the Bank of England's Covid Corporate Financing Facility for a period of 11 months and access to an additional £250 million of Revolving Credit Facility (RCF) on top of the existing £775 million RCFs available to the Group. The Board has reviewed these incremental measures and is confident that they provide effective risk mitigation to ensure the viability of the Group even under remote scenarios.

In addition to the pandemic scenarios the Group also developed scenarios relating to the macroeconomic environment and delivery of strategic objectives. This included a range of reductions (25-50%) in profit to model a recession, trading disruption or significant currency fluctuation in one of the company's key markets, considering also the decision of the UK to leave the EU and the impact of the ongoing negotiation of the future trading relationship might have on purchase costs and the ability to operate similarly as today. Finally, the Directors considered viability in terms of reduced expected benefits delivered from strategic programmes. The company has designed and implemented various measures to help prevent these risks materialising and to mitigate their impact. The Group has various options to maintain liquidity, including reducing non-essential capital expenditure, actions on costs and withholding dividends. The assessment considered renewal of the Group's revolving credit facilities expiring in May 2021 (£250 million), March 2022 (£225 million) and August 2022 (£550 million).

Regardless of these risks and mitigating measures, the long-term viability of the company could be impacted by as yet unforeseen risks and the offsetting actions developed in respect of the principal risks could turn out to be less effective than intended.

Having assessed the current position, principal risks and prospects of the company, and taking into account the assumptions above, the Directors confirm they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the three-year assessment period.

Non-financial information statement

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

Reporting requirement	Where to read more in this report about related risk management and further additional information	Page
Environmental matters	Responsible Business Governance of Responsible Business Climate change	22–25
Employees	People Employee diversity and inclusion Board diversity and inclusion	20–21 60
Human rights	Responsible sourcing and human rights	25
Social matters	Responsible Business – Our four priorities	23
Anti-bribery & corruption	Anti-bribery and corruption statement Political donations	47 95
Description of business model	Business model	16–17
Non-financial KPIs	Responsible Business – Our four priorities Strategic measures	23 5–10
Principal risks and uncertainties	Our approach to risk management Principal risks	36 38–45

Going concern and post balance sheet events

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 28 to 35. The principal risks of the Group are set out on pages 38 to 45. In addition, note 24 includes the Group's financial risk management objectives and exposures to liquidity and other financial risks. The Directors have considered these areas alongside the principal risks and how they may impact going concern, the assessment of which is considered to be a critical accounting judgement

The impacts of Covid-19 could not have been reasonably anticipated at 31 January 2020 and are deemed to be non-adjusting post balance sheet events. The Group has performed an assessment of the estimated impacts on impairments to goodwill, property, plant and equipment, and right-of-use assets, which concluded that these impacts were not material for the Group given the relatively short-term and temporary nature of the adverse effects of Covid-19 on the Group's projected cash flows. Further detail as to the impact on these account balances is included in note 38 of the Group financial statements.

Considering the above, as well as the detailed modelling undertaken to assess the impact of base and worst case scenarios as already described, and the Group's liquidity headroom and cost mitigation actions which have and could be implemented, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, the Directors consider it appropriate for the Group to continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further detail in relation to the use of the going concern assumption and the scenarios modelled by the Directors are detailed in note 3 of Group financial statements and note 2 of the company financial statements.

Anti-bribery and corruption

Kingfisher is fully committed to conducting its business with high ethical standards. The Kingfisher Code of Conduct contains our commitment to comply with anti-bribery and anti-corruption laws, as well as to compete fairly and not to tolerate any form of modern slavery. It underpins a set of five core integrity policies (anti-bribery and anti-corruption, whistleblowing, fair competition, sanctions and preventing facilitation of tax evasion), which set out the vision for how we want to behave and comply with laws and regulations applicable across the Group. In the 2019/20 financial year, over 40,000 colleagues in nine countries were trained on the Code of Conduct, which includes anti-bribery and anti-corruption and our integrity policies. On top of that, over 7,000 colleagues working in sensitive areas of the business received a fair competition training module. An online gifts and hospitality and conflict of interests reporting and approval process is in place in all relevant languages and geographies and the numbers are monitored by Local Compliance Officers and reported to senior management at Group level. A whistleblowing hotline, facilitated by an independent third party, is in place throughout the Group. All reports are followed up and investigated where necessary and statistics and trends are monitored. A risk-based third-party due diligence process is in place to assess and mitigate bribery and corruption risks.

In the coming financial year, the company will be primarily focused on process improvement, as well as on communication and training to raise awareness and ensure that our integrity policies are consistently followed by colleagues and third parties.

For information about human rights see the Responsible Business section on pages 22 to 25.

Strategic Report approval

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

Thierry Garnier
Chief Executive Officer

16 June 2020

Board of Directors

Andrew Cosslett, Chairman N R

Appointed: April 2017

Chairman: June 2017

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

External appointments: Andrew joined the board of the Rugby Football Union in 2012, before being appointed chairman in 2016.

Thierry Garnier, Chief Executive Officer RB

Appointed: September 2019

Skills and experience: Thierry is an experienced retailer having spent 20 years in senior roles at Carrefour, the French multi-national retailer. In his previous role, Thierry was a member of the Carrefour group executive committee and the chief executive officer (CEO) of Carrefour Asia. From 2003 to 2008, Thierry was the managing director of Supermarkets for Carrefour France. Following this successful period, he became CEO of Carrefour International and a member of the group executive committee in 2008, with a broader remit including Asia, Latin America and various European countries.

External appointments: No external appointments.

Bernard Bot, Chief Financial Officer

Appointed: October 2019

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

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

Mark Seligman, Senior Independent Director A N R

Appointed: January 2012

Skills and experience: Mark provides substantial expertise to the Board in the field of finance, having previously been 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 and later chairman UK investment banking.

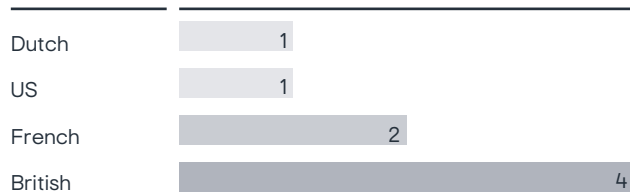
External appointments: Mark currently serves as an alternate member of the Panel on Takeovers and Mergers. Mark is also a non-executive director of Smiths Group plc and senior independent director of The Royal Bank of Scotland plc.

Board diversity

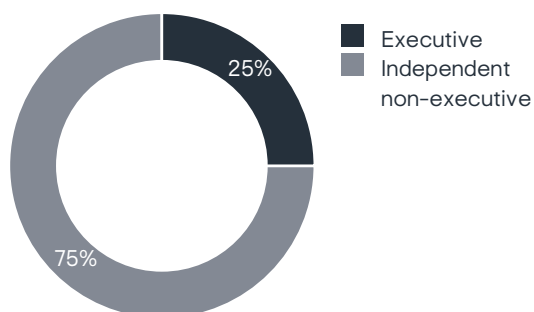
38% female



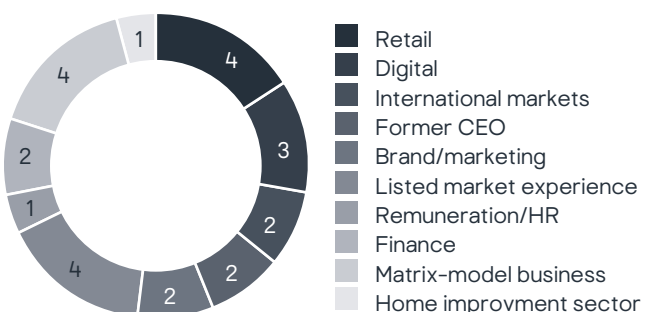
Board nationality



Board independence



Non-executive director sector experience



Claudia Arney, Non-Executive Director N R**Appointed:** November 2018**Skills and experience:** Claudia brings a wealth of experience of business transformation and building digital capabilities to the Board having held previous non-executive roles, including chair of the remuneration committee at Halfords plc, senior independent director of Telecity Group plc and governance committee chair at Aviva plc.**External appointments:** Claudia is currently non-executive director and remuneration committee chair at Derwent London. She also serves as interim chair of the Premier League and is a non-executive director at Ocado Group plc. Claudia began her career at McKinsey & Company, before holding roles at Pearson, the Financial Times, Goldman Sachs, and HM Treasury. She was group managing director, digital at EMAP.**Jeff Carr, Non-Executive Director** A N R**Appointed:** June 2018**Skills and experience:** Jeff became chief financial officer (CFO) of Reckitt Benckiser Group plc on 9 April 2020. Reckitt Benckiser has operations in over 60 countries and a large number of globally trusted household brands and products. Jeff previously held an executive finance role with Reckitt Benckiser earlier in his career. Most recently, Jeff was CFO of Koninklijke Ahold Delhaize N.V. (Ahold Delhaize), one of the world's largest retail groups. Jeff was previously group finance director at both FirstGroup plc and easyJet plc, and held a senior finance role at Associated British Foods plc. He was also previously a non-executive director at McBride plc.**External appointments:** Jeff is currently CFO of Reckitt Benckiser Group plc, the British multinational consumer goods company.**Sophie Gasperment, Non-Executive Director** N RB**Appointed:** December 2018**Skills and experience:** Sophie brings to the Board expertise in strategy, brand and international retail markets as well as substantial experience in business transformation and digital capabilities, having held a number of senior leadership positions at L'Oréal, including executive chair and chief executive officer of The Body Shop International and managing director of L'Oréal UK & Ireland.**External appointments:** Sophie is a non-executive director of Accor, where she chairs the appointments, compensation and CSR committee. She is also a non-executive director of the D'leteren group, and the lead independent director on the board of Cimpres, a NASDAQ-listed technology company. In addition, Sophie is a senior advisor at the Boston Consulting Group.**Rakhi Goss-Custard, Non-Executive Director** A N R RB**Appointed:** February 2016**Skills 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.**External appointments:** Rakhi is a non-executive director of Schroders plc, Rightmove plc, and Travelopia, and was previously a non-executive director of Intu Properties plc.**Board composition****Current Directors Tenure at 31 January 2020**

	0-3 years	3-6 years	6-9 years
Andrew Cosslett	2 years, 10 months		
Claudia Arney	1 year, 3 months		
Jeff Carr	1 year, 8 months		
Sophie Gasperment	1 year, 2 months		
Rakhi Goss-Custard		4 years, 0 months	
Mark Seligman			8 years, 1 month
Thierry Garnier	4 months		
Bernard Bot	3 months		

Key A Audit Committee N Nomination Committee R Remuneration Committee O Chairman
 RB Responsible Business Committee

Corporate Governance

Dear Shareholder,

I am pleased to present our Corporate Governance report for the year ended 31 January 2020, on behalf of the Board.

This report sets out our corporate governance framework (outlined on pages 52 to 57) and explains how it underpins and supports management in delivering the company's strategy and enables the Board to take decisions that create long-term sustainable value for the benefit of our shareholders and wider stakeholders.

Governance

The report has been prepared in line with the requirements of the 2018 UK Corporate Governance Code (the Code) and The Companies (Miscellaneous Reporting) Regulations 2018 (the Regulations). The Board welcomes the increased emphasis that this new regulation has brought regarding engagement with stakeholders, diversity, remuneration structures and strengthening of corporate culture.

The company complies with all Provisions of the Code, with one exception. Following shareholder approval of the Remuneration Policy at our 2019 Annual General Meeting (AGM), the company remains non-compliant with Provision 36 relating to the phasing of our long-term incentive scheme vesting periods. The Corporate Governance Statement, available on our website, provides a detailed account of how the company has applied the Code principles.

Board leadership and composition

The importance of a robust corporate governance framework has been particularly evident in a year that has seen the successful transition of Thierry Garnier and Bernard Bot into the roles of Chief Executive Officer (CEO) and Chief Financial Officer (CFO).

Through the Nomination Committee, we keep the composition of the Board under review to ensure it continues to reflect the skills, experiences and diversity required to remain effective as the company's strategy and our external environment evolves. Anders Dahlvig, Pascal Cagni and Clare Chapman all served as non-executive directors for nine years, and retired from the Board in July 2019, October 2019 and January 2020, respectively. Directors' biographies, including tenure, are set out on pages 48 to 49.

During the year, the Board approved the establishment of the Responsible Business Committee to strengthen sustainability governance within the business and to cover a range of responsible business topics not addressed elsewhere in our governance processes. This Committee will be chaired by Sophie Gasperment, a non-executive director and attended by at least one other non-executive director and the CEO, and meet bi-annually. The first meeting of the Responsible Business Committee will be held in July 2020. The terms of reference of this Committee are published on our website.

Board effectiveness

In accordance with best practice and the Code, we conduct an external Board and Committee effectiveness review every three years. This year, the review was conducted by Dr. Tracy Long of Boardroom Review Limited. The review included confidential interviews conducted on a one-to-one basis, Board and Committee meeting observation, and a review of Board and Committee information flows. The key findings are outlined on page 54.

Company strategy, purpose and culture

The Board recognises the importance of its role in setting the tone of the company's culture and embedding its principles of transparency, honesty and fairness throughout the Group. The Group's culture is underpinned by our Code of Conduct and associated policies and practices.

The Board has a programme of site visits and receives regular briefings from executive leadership to allow it to assess the behaviour and culture of the business. The Board also has responsibility for the oversight and the receipt of reports under the Whistleblowing policy. These include the reporting and follow-up of any concerns by employees regarding possible improprieties in matters of financial reporting, fraud and bribery.

To assist the Board to monitor and assess the company's culture and values in practice, management has developed a culture dashboard to provide the Directors with visibility, on a quarterly basis, regarding the company's performance against certain internal metrics that are considered collectively to be insightful in the context of Kingfisher's culture. The Board will continue to work closely with Thierry Garnier to develop and implement a refreshed company strategy, purpose and culture to drive shareholder returns.

Governance documents available at www.kingfisher.com

Articles of Association

Matters reserved for the Board

Terms of references of Board Committees

Role profiles of the Chairman, CEO, Senior Independent Director, non-executive director and Company Secretary

Corporate Governance Statement

During the year, the company has also expanded the scope of an existing employee forum to establish the Kingfisher Colleague Forum (KCF). The KCF is a joint forum of Kingfisher-nominated management representatives and formally elected employee representatives. A non-executive director attends each meeting and through this forum the Board engages effectively with colleagues on transnational issues and consults on major decisions or events with significant impact on the company and its employees. During the year, Andrew Cosslett attended both meetings of the KCF and Thierry Garnier attended the meeting of the KCF held in December.

Coronavirus pandemic (Covid-19)

In light of the unfolding impacts of Covid-19 on the business and the sustained unprecedented level of uncertainty that resulted, the Board held a series of unscheduled meetings to consider significant operational matters, as well as the Group's liquidity and funding position.

On 23 March 2020, the company announced its decision to comply with the Financial Conduct Authority's request to all listed companies to delay the publication of preliminary financial statements for at least two weeks. Further, against the backdrop of government restrictions in multiple markets in which we operate and the heightened impact and uncertainty of changes in the magnitude, duration and geographic reach of Covid-19, we also determined not to propose a final dividend in relation to 2019/20. The Board recognises the importance of dividends to shareholders and intends to consider the appropriateness, quantum and timing of future dividend payments when it has a clearer view of the scale and duration of the impacts on the business.

Throughout this period, the Board continued to closely monitor the Group's cash-flow and liquidity risks, in light of Covid-19 and, reviewed the company's 2019/20 going concern and viability statements as they evolved.

In recognition of the impact of the significant actions taken to reduce costs and optimise cash flow and liquidity on the company's stakeholders, the Board and Group Executive voluntarily requested that the following temporary discretionary measures be taken:

- The Board and Group Executive forego 20% of their base salaries or Board fees, effective 1 April 2020.
- The CEO and CFO receive no annual 2019/20 bonus payment.

The Board and Group Executive believed that acting in this way would be the clearest indication that we stand together with all our stakeholders, whether colleagues, customers, shareholders or suppliers.

An overview of the key activities of the Board during the year is provided on page 53 including steps taken to address matters of strategy, purpose and values. The key activities of the Board during this extended period since 31 January 2020 and, up to the date of this report will be covered in more detail in the 2020/21 Annual Report.

Looking ahead

We remain committed to supporting our communities and governments to manage the Covid-19 pandemic. We are very conscious of the anxiety that the outbreak is causing for our colleagues and customers and we'll do everything we can to support them. At the same time, we are working hard to minimise the impact on our business and financial performance.

Finally, the Board and I are fully committed to working with management to set a culture of transparency, honesty and fairness, supported by a robust corporate governance framework, which enables the business to continue to successfully deliver the strategy. As we refresh our strategy and culture over the coming year, with input from our new executive directors and the executive leadership team, we will continue to develop our approach to engagement with our stakeholders and our employees to better inform our strategic decision making and the company's long-term direction.

Andrew Cosslett
Chairman

16 June 2020

Corporate Governance continued

Governance structure

The company is governed through a structured framework comprising the Board and a number of Committees, that enable the company and its Directors to effectively discharge their duties, as illustrated below:

Kingfisher plc Board

The Board has responsibility for the overall leadership of the Group, setting the Group's strategy and ensuring the appropriate culture, taking into consideration the views of shareholders and other key stakeholders, in order to promote the long-term sustainable success of the Group and its contribution to wider society. It also has responsibility for the Group's performance and governance oversight. The Board's key activities for the year are set out on page 53. The Matters Reserved for the Board and the Committees' terms of reference are published on our website.

Audit Committee

Oversees financial reporting, audit and risk.
Report on page 62

Nomination Committee

Oversees Board composition and succession planning.
Report on page 58

Remuneration Committee

Oversees the linking of reward to strategy.
Report on page 68

Responsible Business Committee

Newly established to oversee the Group's responsible business activity.

Disclosure Committee

Oversees the framework for control and release of inside information.

Group Executive

Our Group Executive comprises the CEO, his direct reports including the CFO, and the retail banner CEOs and certain functional leads. Its members meet monthly and are responsible for the day-to-day execution of the strategy set by the Board and for the management of the business.

Board attendance

The table below shows the Directors' attendance at Board and Committee meetings during the year. In addition to their normal schedule of meetings the Board met 18 times between 31 January 2020 and the date of this report, in light of the Covid-19 pandemic outbreak. Directors who are unable to attend scheduled meetings due to competing engagements or unforeseen circumstances are encouraged to input offline and, ideally, ahead of the meeting. More detail regarding information flows to the Directors ahead of Board and Committee meetings can be found in the Corporate Governance Statement on our website. Details of how we have improved the information flows during the year together with our action plan for further development can be found on pages 54 and 55, as part of our Board evaluation process.

Current Directors	Board	Nomination	Audit	Remuneration
Andrew Cosslett	8/8	5/5	-	7/7
Claudia Arney	8/8	5/5	-	7/7
Bernard Bot	3/3	-	-	-
Jeff Carr	8/8	5/5	4/4	7/7
Thierry Garnier	3/3	-	-	-
Sophie Gasperment	8/8	5/5	-	-
Rakhi Goss-Custard	8/8	5/5	4/4	7/7
Mark Seligman	8/8	5/5	4/4	7/7
Former Directors who served during 2019/20				
Pascal Cagni ¹	5/6	2/3	-	-
Clare Chapman ²	6/7	3/4	-	7/7
Anders Dahlvig ³	2/2	2/2	2/2	-
Véronique Laury ⁴	5/5	-	-	-
Karen Witts ⁵	1/1	-	-	-

1. Pascal Cagni resigned as a Director on 23 October 2019. He was unable to join one Board and one Nomination Committee meeting due to a prior commitment.
2. Clare Chapman resigned as a Director on 21 January 2020. She was unable to join one Board and one Nomination Committee meeting due to a prior commitment.
3. Anders Dahlvig resigned as a Director on 12 June 2019.
4. Véronique Laury resigned as a Director on 24 September 2019.
5. Karen Witts resigned as a Director on 21 March 2019.

Key activities for the year

Strategy

- Monitored delivery and evolution of the Group's strategy, including an appraisal of performance against the strategic milestones and stress test of three-year plan by an external consultant.
- Analysis of store portfolio, freehold strategy and poorly performing stores and considered the sale and leaseback of sites across France, Poland and Romania.
- Received updates on the Express Store concept trial.
- Monitored the roll-out of digital technologies and received regular digital and IT updates.
- Considered the Screwfix international expansion and pricing strategies.
- Oversaw a comprehensive review of the company's master data.
- Received updates on the performance of the Responsible Business strategy.
- Analysed the new Offer proposition.
- Received updates on the planned exits from the Russian and Iberian markets.
- Appraised solutions to resolve issues in the supply chain in France.
- Oversaw developments to the operating model.

Shareholder engagement

- Discussed feedback from the post-results investor roadshows between Executive leadership, the Chairman and investors.
- Monitored the investor consultation around the new Remuneration Policy and the consultation following the significant vote against the Directors' Remuneration Report.
- Attended and answered shareholder questions at the AGM.
- Considered bid defence and received a shareholder activism update.
- Oversaw the planning for the Innovation Days for investors and key stakeholders.

Finance and performance

- Reviewed and discussed the business progress through the CEO's reports, including market and trading updates.
- Reviewed monthly reports on performance against budget and forecast.
- Approved the three-year plan and annual budget.
- Reviewed cash flow and dividend cover, recommending the 2018/19 final dividend and agreeing the 2019/20 interim dividend.
- Approved not to recommend a 2019/20 final dividend given the unprecedented uncertainty caused by Covid-19 and its impacts.
- Reviewed contingent tax liabilities and transfer pricing positions.
- Approved the UK tax strategy and required disclosures.
- Approved final settlement with the French Tax Authority regarding the treatment of interest paid since 2009/10.
- Reviewed reports on customer insights and on service standards.
- Reviewed impairments booked in the year and their treatment as exceptional items.
- Approved change in allocation of certain central costs and re-allocation of Transformation P&L costs.

People, culture, vision and values

- Monitored the level of health and safety incidents through quarterly reports.
- Considered results of the annual employee engagement survey.
- Discussed CEO succession planning and identified and recruited a successor.
- Oversaw the recruitment of several Group Executive members, including the CFO, and the contingency planning for vacant roles.
- Ratified the revised Code of Conduct and Market Abuse Regulation policies.
- Approved forfeiture of dividends unclaimed for more than 12 years for donation to Kingfisher's network of in-country charitable foundations in the UK, France, Poland and Romania.
- Commenced development of a culture dashboard to assist the Board to more easily monitor and assess the company's culture and values in practice.

Governance and risk

- Received regular updates on Brexit-related risks and contingency planning that was currently being undertaken within the business.
- Undertook Competition Law training.
- Completed a deep dive into cyber security and the Group's approach to data governance and information security.
- Appraised revised capital expenditure and investments' governance processes and procedures.
- Received regular updates on the company's compliance with GDPR, the Anti-Bribery and Corruption Plan and Whistleblowing Policy.
- Appraised the principal and emerging risks, mitigation steps and set the Group's risk appetite.
- Reviewed and approved the Matters Reserved for the Board and each of the Committees' terms of reference.
- Discussed the findings of the externally facilitated Board effectiveness evaluation and agreed actions for 2020/21.
- Approved the Modern Slavery Transparency Statement.
- Received feedback from colleagues through the Kingfisher Colleague Forum and acted when required.

Corporate Governance continued

2019/20 External Board evaluation

The Board and each of its principal Committees conduct an annual effectiveness evaluation, and in line with the Code, this is externally facilitated every third year. These evaluations are conducted in accordance with the principles set out in the Code and include consideration of the skills, composition and performance of the Board, its Committees, and individual Directors.

This year, Dr. Tracy Long of Boardroom Review, an external facilitator with no connection to Kingfisher, or its individual Directors, was engaged to lead our external evaluation. The evaluation consisted of a review of the Board and Committee pre-read materials, presentations and observation at Board and Remuneration Committee meetings, as well as individual interviews with Directors. A detailed report was then considered by the Board and the outcome from this, as well as progress against last year's actions, were discussed.

The external evaluation concluded that the Board would benefit from further strengthening relationships between executives and non-executives. It was also felt that the Board should have a renewed focus on execution excellence and should primarily place greater focus on the following areas during 2020/21:

- Development of strategic themes.
- Monitoring of Kingfisher's changing competitive landscape.
- Remaining focused on information security across the business.
- Shaping the business' values with the new CEO.
- Continuing to focus on talent development.

In addition to the above, the evaluation identified key areas for further development as follows:

2019/20 Board evaluation

Finding	Action plan for 2020/21
Board information	<ul style="list-style-type: none"> – Further develop Board information, including a greater use of dashboards to track key information across the business. – Board to review, and track, more frequently, corporate purpose, values and culture across the Group.
Board time and meetings	<ul style="list-style-type: none"> – At least two meetings per year to be held within the business' operations and to include meetings with local senior executive and rising talent from across the Group. – Increase use of private meetings between the CEO and the non-executive directors during the year. – Increase use of non-executive director-only meetings during the year.
Governance	<ul style="list-style-type: none"> – Composition of principal Committees to be reviewed during the year. – Responsible Business Committee of the Board to be established to focus on the Group's Environmental, Social and Governance (ESG) agenda.

The Board will continue to review its procedures, effectiveness, development and composition during the year ahead. The Chairman will use the output of the Board evaluation and individual Director performance reviews to further develop the performance of the Board during the year ahead.

Mark Seligman, Senior Independent Director, led a separate review of the Chairman's performance in January 2020 after gauging the views of other non-executive directors. The review concluded that the Chairman continued to operate effectively and that there were no concerns regarding his performance.

2018/19 Internal evaluation progress update

The table below outlines progress against actions agreed during the 2018/19 internal evaluation. More information on the specific actions from the 2018/19 evaluation can be found in the company's Annual Report from 2018/19:

Finding	Action
Board succession and induction	<ul style="list-style-type: none"> – Skills matrix updated to reflect changes in Board composition and to identify skills desired going forward. – Company Secretary reviewed the non-executive director induction programme and modified the programme, as appropriate. – A search for a new non-executive director commenced during September 2019. – Completed the recruitment and induction of a new CEO and CFO. – CEO / Group Executive succession planning review completed in January 2020.
Investor engagement	<ul style="list-style-type: none"> – Innovation Day, held during the first half of 2019, focused on the next phase of the company's strategy. – Major investors were consulted on the new Remuneration Policy and targets during the first quarter of 2019 and, following the significant vote against the Directors' Remuneration Report in July 2019.
Board information and discussion	<ul style="list-style-type: none"> – Ongoing review of Board and Committee agendas and pre-read materials to ensure adequate time for debate at meetings. – Review and implementation of updated template for pre-read papers to highlight and facilitate discussion of stakeholder impacts, in line with Directors' Companies Act obligations. – Ongoing dashboard development for standard reporting items, including a culture dashboard to better facilitate monitoring and assessment of the effectiveness and alignment of the company's culture with strategy, policies and purpose. – Transformation dashboard redesigned.
Strategic focus	<ul style="list-style-type: none"> – Annual strategic Board meeting held in February 2020 led by the new CEO. – Work required with the new CEO to identify strategic initiatives which will be added to the Board's annual forward planner.

Compliance with the UK Corporate Governance Code

The company was subject to the revised Financial Reporting Council's (FRC) 2018 UK Corporate Governance Code (the Code) for the year ended 31 January 2020. The Board welcomed the increased emphasis on engagement with our stakeholders, diversity, remuneration structures and strengthening of corporate culture.

The company complies with all Provisions of the Code with one exception. The company is non-compliant with Provision 36 in relation to grants under long-term incentive schemes, which dictates that vesting should be phased. Kingfisher's Directors' Remuneration Policy, approved by 97% of shareholders in 2019, includes long-term incentives that are split into two awards at

grant, each subject to a three-year performance period to align with the prevailing time horizons of the business strategy. More detail on the context for executive remuneration at Kingfisher can be found on pages 68 to 93.

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

Together with the other Governance Documents listed on page 50, the company has published a Corporate Governance Statement ('CGS') on its website that provides a detailed account of Kingfisher's compliance with the Code. Further information can be found as follows:

	Page no. or CGS		Page no. or CGS
1-Board Leadership and Company Purpose		3-Composition, Succession and Evaluation	
	CGS, Matters Reserved, 36-47	J. Appointment to the Board	CGS, 59-61
A. Effective and Entrepreneurial Board		K. Board Composition	CGS, 48-49, 58-61
B. Purpose, Value and Strategy	CGS	L. Board Evaluation	CGS, 54-55
C. Resources and Controls	CGS	4-Audit, Risk and Internal Control	
D. Engagement with Stakeholders	CGS, 18-19, 56-57	M. Internal and External Audit Functions	CGS, 66-67
E. Workforce Policies and Practices	CGS, 20-21, 25	N. Fair, Balanced and Understandable	CGS, 63, 97
2-Division of Responsibilities		O. Risk Management	CGS, 36-47, 66-67
F. Role of the Chair	CGS, Role Document	5-Remuneration	
G. Composition of the Board	CGS, 48-49	P. Aligning Remuneration to Strategy	CGS, 68-77
	CGS, Role Document	Q. Policy for Executive Remuneration	CGS, 71-77
H. Role of the Non-Executive Director		R. Independent Judgement	CGS, 78-93
I. Board Information, Time and Resource	CGS, 52		

Corporate Governance continued


Consideration of our stakeholders

The Board recognises its responsibility to consider the needs and concerns of our stakeholders as part of its discussion and decision-making processes and seeks to deliver value for all our stakeholders and the communities in which the company operates. The Board has welcomed the 2018 Code's firm stance on this. The Board receives regular updates providing insights and feedback from key stakeholders, which allow it to understand and consider the perspectives of stakeholders effectively when making strategic decisions and to help the business ensure it maintains high standards of business conduct. The Board paper template has been updated to include a section on key stakeholder impacts to ensure this is at the forefront of each of the Board's decisions.

The table below highlights how the Board ensures effective engagement with, and encourages participation from, our stakeholders. More details on how the company engages, as a whole, with its stakeholders is available in the Strategic report on pages 18 to 19, alongside the company's Section 172(1) disclosure.

The Board remains strongly committed to supporting our communities and governments to manage the impact of Covid-19. The Board is conscious of the anxiety that the outbreak continues to cause for colleagues and customers alike, and remains committed to do everything it can to support them. At the same time, the Board is working hard to minimise the impact on the performance of the business.

The Board's approach to stakeholder engagement

Stakeholder	How the Board is kept informed	Importance of engagement and examples of how it influenced Board discussions and decision making
 <p data-bbox="189 981 322 1012">Customers</p>	<p data-bbox="401 831 926 943">Through the CEO, the Board receives regular updates on customer opinion, behaviour and feedback, including analysis of the Net Promoter Score and Customer Insight Reports, which are used to inform future investment decisions and identify key revenue drivers.</p>	<p data-bbox="959 831 1478 943">The Board recognises that customer satisfaction is pivotal to the success of the business and that feedback and consumer trends should be sought, assessed, and utilised to underpin the development of the long-term strategy.</p> <p data-bbox="959 949 1478 1061">The Board considered the lower Net Promoter Score in France in comparison to other parts of the business and used the feedback received to influence the broader strategic decisions for improving performance in France.</p> <p data-bbox="959 1068 1478 1158">When developing the company's store concept strategy, the customer feedback from pilot stores was used by the Board to evolve the concept strategy further.</p>
 <p data-bbox="189 1339 322 1370">Colleagues</p>	<p data-bbox="401 1182 926 1272">The Board has a programme of site visits and regular briefings from Executive leadership to allow it to assess the behaviour and culture of the business and receives regular updates on the company's people strategy.</p> <p data-bbox="401 1279 926 1323">Throughout the year the Board received the following updates:</p> <ul data-bbox="401 1330 926 1682" style="list-style-type: none"> <li data-bbox="401 1330 926 1442">– The Whistleblowing report, which included the reporting and follow-up of any concerns by employees regarding possible improprieties in matters of financial reporting, other fraud related matters and bribery; <li data-bbox="401 1449 926 1538">– The CEO provides regular Board updates on important matters affecting the workforce, including the steps taken to invest in training and development and our Responsible Business approach; <li data-bbox="401 1545 926 1590">– Analysis and outcomes from the results of the colleague engagement survey; and <li data-bbox="401 1597 926 1682">– Dialogue with, and feedback from: <ul data-bbox="417 1626 926 1682" style="list-style-type: none"> <li data-bbox="417 1626 926 1648">– the Kingfisher Pension Trustee; and <li data-bbox="417 1655 926 1682">– the Kingfisher Colleague Forum (KCF). <p data-bbox="401 1688 926 1756">Management have developed a culture dashboard to increase the Board's oversight of culture and the implementation of the company's vision and values.</p>	<p data-bbox="959 1182 1478 1272">The Board recognises that the implementation of an effective people strategy and strong culture underpin the effective delivery of the company's strategy and ultimately its performance.</p> <p data-bbox="959 1279 1478 1368">The Board acknowledges the importance of retaining talent and considering the views of colleagues when making decisions and considering the impact of those decisions on our colleagues.</p> <p data-bbox="959 1375 1478 1464">For example, when approving the exit from Germany and the associated store closures, the Board considered the impact on our colleagues and oversaw the communications with the impacted individuals.</p> <p data-bbox="959 1471 1478 1854">During the year, the company has also expanded the scope of an existing employee forum to establish the KCF. The KCF is a joint forum of Kingfisher-nominated management representatives and formally elected employee representatives. A non-executive director and the CEO attend each meeting and therefore through this forum the Board engages with colleagues on transnational issues and consults on major decisions or events with significant impact on the company and its employees. Details of the discussion have been reviewed by the Board, and this has proven to be a strong engagement channel. This, alongside the colleague engagement tool implemented in 2018, has provided an opportunity for the views of the workforce to be discussed and heard by Executive leadership and the Board on a range of issues, including reward arrangements at Kingfisher.</p>

Stakeholder	How the Board is kept informed	Importance of engagement and examples of how it influenced Board discussions and decision making
 <p>Shareholders</p>	<p>The company has a dedicated Investor Relations function which reports to the CFO. Through the Investor Relations function, the company and Board maintain a dialogue with shareholders and analysts on Kingfisher's progress against its strategic priorities, its operating and financial performance, and ultimately how the company plans to create long-term shareholder value. The Board takes ultimate responsibility for ensuring that such engagement takes place.</p> <p>Major decisions regarding the allocation of the company's capital are matters reserved for the Board. The Board engages with shareholders and analysts in relation to a broad range of capital allocation decisions taken by the Board, including working capital requirements, investment opportunities and matters such as the Dividend Policy.</p> <p>In addition, during the year, the Board engages with shareholders through:</p> <ul style="list-style-type: none"> – direct engagement by the Chairman, the Remuneration Committee Chairman, CEO and CFO with shareholders; – Investor Relations reports to the Board on the views of existing and potential shareholders; – investor presentations and events, including the Innovation Day and post-results roadshows; – interactions with shareholders at the AGM; and – attendance at Board meetings by key advisors. 	<p>When making strategic decisions, the Board analyses how the decision will impact the delivery of long-term shareholder value and consults with shareholders on the potential impact, when appropriate.</p> <p>The CEO, CFO and the Chairman engaged with major shareholders and analysts regularly throughout the year particularly, following the publication of the company's full and half-year results announcements.</p> <p>Also during the year, the Board, led by the Remuneration Committee Chairman, consulted with our major shareholders on the company's proposed Directors, Remuneration Policy and amended the policy, as appropriate, ahead of its approval at the AGM.</p> <p>Following the significant vote against the Directors' Remuneration report, the Board undertook a further investor consultation to understand the ongoing concerns of shareholders on Kingfisher's remuneration arrangements. Feedback from this will be used to shape future decisions regarding remuneration and the implementation of remuneration structures going forward.</p> <p>When recommending the 2018/19 final dividend, in accordance with our Dividend Policy, the Board made an assessment of the strength of the company's balance sheet and future prospects. In addition, they also considered a range of other factors. These included the long-term viability of the company; its expected cash flow and financing requirements; the ongoing need for investment in our business and the expectations of our shareholders as the supplier of long-term equity capital to the company.</p>
 <p>Suppliers</p>	<p>During the year, the Board approved the Modern Slavery Transparency Statement, received an update on progress across key areas of the business and supply chain and were informed of areas for ongoing improvement. The Board noted that the business continued to move towards auditing all high-risk production sites by 2020, and continued implementation of our modern slavery action plan covering diligence, ethical audit, supplier and colleague engagement, training, policy and reporting. The Board also endorsed the strengthening of the company's strategy to understand Human Rights risks across the business.</p> <p>The Audit Committee receives periodic updates from each retail banner CEO and function head and at each meeting from Internal Audit on the key risks, policies and procedures, and internal controls in place. During the year, this has included interactions with suppliers and the efficiency of the supply chain.</p>	<p>The Board does not regularly engage directly with suppliers but receives frequent reporting from the business areas which interface with them.</p> <p>The Board considers the impact to suppliers when making key strategic decisions relating to product ranges or supply and logistics.</p> <p>The Board recognises that building and maintaining trusted partnerships with the company's suppliers is fundamental to the success of the business.</p>
 <p>Communities and Non-Governmental Organisations (NGOs)</p>	<p>The Board receives regular updates on progress towards the company's Responsible Business strategy and targets and progress made in moving towards a co-ordinated community programme.</p> <p>This included updates on the launch of the charity foundations in Poland and Romania and our relationships with other non-governmental organisations.</p>	<p>The Board is conscious that concerns around companies' roles in society and climate change have increased and that there are higher expectations on companies to demonstrate environmental, social and governance credentials.</p> <p>In recognition of the increased expectations around ESG issues, we established a new Responsible Business Committee (RBC), reporting to the Board. The RBC will lead and oversee delivery of how we operate as a responsible business.</p> <p>The Board and Remuneration Committee have also agreed the incorporation of ESG targets within the company's remuneration packages and executive bonus scheme.</p> <p>The Board approved the forfeiture of dividends unclaimed for more than 12 years for donation to Kingfisher's network of in-country charitable foundations in the UK, France, Poland and Romania.</p>
 <p>Regulators and Government</p>	<p>The Board receives bi-annual Government Affairs reports which contain a summary of the main policy and political issues that have a direct operational impact on Kingfisher across all jurisdictions in which the company operates. An explanation of what action is being taken to monitor and address the key issues is also included.</p> <p>The Board also receives a Governance report ahead of each meeting, which outlines key governance and regulatory changes which have the potential to impact the company.</p>	<p>The Board, in coordination with the Group Executive, engages with our regulators, government stakeholders and political representatives when required. This includes responding to policy consultations and formal information requests.</p> <p>During the year, engagement has focussed on the continuing political uncertainty surrounding Brexit, consultations around new Governance regulations, and changes to tax and business rates.</p> <p>The company also responded to the FRC regarding the Conduct Committee's review of the 2019 annual report and accounts.</p>

Nomination Committee report

Dear Shareholder,

It has been a transformational year for the Board's membership. Last year, I reported that recruitment for Karen Witt's successor as Chief Financial Officer (CFO) was underway and on 20 March 2019, the company announced the launch of a recruitment process for a successor to Véronique Laury, as Chief Executive Officer (CEO). The Nomination Committee played a pivotal role in identifying, and ultimately in securing, the best candidates for these roles and to meet the needs of the business.

I am pleased to report that the appointments of Thierry Garnier as CEO from 25 September 2019 and Bernard Bot as CFO from 21 October 2019 have proceeded smoothly. We were fortunate that sequencing of events permitted Thierry to be instrumental in Bernard's recruitment and the two are continuing to integrate effortlessly. Each has brought deep knowledge and experience to the business. Thierry is a highly talented international retailer and proven business leader, with a strong track record gained over his many years at Carrefour. Bernard is a highly experienced CFO who has been central to successful transformations and has expertise in logistics and supply chain optimisation, and technology and digital services. I am also delighted to report that John Wartig, who made a notable impact in the role of interim CFO, which he held from 8 April 2019, assumed the role of Chief Transformation and Development Officer.

The Committee kept the Board Diversity and Inclusion Policy, and our commitment to support diversity at Board and Group Executive level, very much in mind during this year's recruitment programmes. On behalf of the Board, the Committee continues to monitor the evolving governance landscape and the company's ability to meet the challenges it faces in promoting inclusion and diversity, in all its forms, throughout the business. We are delighted to report that we retained our place in the Hampton Alexander FTSE 100 Top Ten Best Performers table for women on boards for the third year running and we continue to support the work of the 30% Club to drive improvements in diversity at all levels. The Committee also welcomed the recent publication of the 2020 Parker Review report.

Anders Dahlvig and Pascal Cagni stepped down as non-executive directors on 12 June 2019 and 23 October 2019 respectively, having each served nine years. Further, as part of the progressive refreshment of the Board, Clare Chapman stepped down as a non-executive director and Remuneration Committee Chairman on 21 January 2020 having served nine years.

Directors' biographies, including tenure are set out on pages 48 to 49.

	Eligible	Attended**
Andrew Cosslett*	5	5
Claudia Arney	5	5
Pascal Cagni	3	2
Jeff Carr	5	5
Clare Chapman	4	3
Anders Dahlvig	2	2
Sophie Gasperment	5	5
Rakhi Goss-Custard	5	5
Mark Seligman	5	5

* Chairman.

** More details on attendance and those directors who stepped down during the year are set out on page 52.

The Committee continues to support business resilience and delivery against the long-term strategic plan through ongoing prioritisation of long-term succession planning at the Board and Group Executive level. We will continue to keep the composition of the Board and its committees under review during 2020/21.

Effectiveness evaluation

I am happy to report that the 2019/20 effectiveness evaluation concluded that the Committee continued to operate effectively. The 2018/19 effectiveness evaluation of the Committee had identified the need for further focus on senior and key management succession during the year. These points were incorporated into the Committee's forward agenda of activities for the forthcoming year and further detail is set out in this report.

Governance

The Board has approved terms of reference for the Committee that are reviewed and refreshed annually, and which are available on the website. Membership of the Committee is comprised solely of independent non-executive directors.

Andrew Cosslett

Chairman of the Nomination Committee

16 June 2020

Committee key activities 2019/20

1. CEO and CFO recruitment and induction
2. Succession planning at the Board and Group Executive level, including skills matrix development
3. Ongoing progression against the Board Diversity and Inclusion Policy objectives

Areas of focus 2020/21

1. Ongoing non-executive director recruitment
2. Ongoing induction of Thierry Garnier and Bernard Bot
3. Succession planning at the Board and Group Executive level
4. Ongoing progression against the Board Diversity and Inclusion Policy objectives

Succession planning

During the year, the Committee focused on succession and recruitment for the roles of CEO and CFO. However, long-term succession planning at the Board and Group Executive level continued to be a priority. The Committee recommends Board and executive management appointments, and develops succession plans, based on merit and objective criteria. The Committee aims to promote diversity of gender, social and ethnic background, and cognitive and personal strengths, such that the Board, the Group Executive, and senior management reporting to them are comprised appropriately and provide the relevant balance of oversight, constructive challenge and expertise.

As part of the succession planning process, the Committee reviewed tenure and anticipated retirement within the non-executive membership of the Board and sought to balance continuity with the introduction of fresh perspectives. To inform this planning process, the Committee employed a skills and experience matrix that captures the principal strategic and committee experience the Board considers to be required for running a UK listed company, and an international, matrix-model retail business. This is used to prioritise internal and external candidates when seeking new Directors, and in the annual effectiveness evaluation of the Board. A summary of the skills of our non-executive directors is set out on page 48.

Following a review of the skills, knowledge, experience, background, and diversity currently represented on the Board and its committees, and those which would be desirable in the future, the Committee recommended two new appointments during the year. The Board has identified the need to recruit at least one additional non-executive director during the coming year to further strengthen the depth and breadth of experience on the Board.

Selection and appointment

An outline of the process followed by the Committee for the selection and appointment of Thierry Garnier, CEO, and Bernard Bot, CFO, is set out below. The Committee was supported by Egon Zehnder, our independent search consultants in respect of the recruitment for these roles.

Egon Zehnder has no other relationship to the company, or any of its directors and non-executive directors, and is a signatory to the latest Voluntary Code of Conduct for executive search firms, which seeks to address gender diversity on corporate boards.

1. Board composition review	<ul style="list-style-type: none">– The Committee reviewed the structure, size and composition of the Board including the skills and experience matrix, diversity and tenure of the Directors.– The Committee agreed the desirable qualities, having considered the company's business model, strategy, external environment and stage of the transformation.
2. Role brief development	<ul style="list-style-type: none">– The Committee and consultants developed comprehensive role briefs for each position to be filled.– The briefs were aligned to the desired Board and Committee composition, with reference to the skills and experience matrix, Board Diversity and Inclusion Policy, related commitments and any corporate governance requirements.
3. Shortlisting	<ul style="list-style-type: none">– An initial longlist of candidates from a broad range of backgrounds was collated by the consultants.– The Chairman, Chief People Officer (CPO) (or whilst the role was vacant, their representative) and Company Secretary worked with the consultants to prepare a shortlist for review by the Committee including internal candidates, where appropriate.– The Committee agreed the candidates to be invited for interview.
4. Interview	<ul style="list-style-type: none">– A formal multiple-stage interview process was used to assess the candidates, tailored for relevance to each role.– Initial interviews were held for both roles with the Chairman and Senior-Independent Director and as relevant to the respective role, with the CEO, Audit committee Chairman and Remuneration committee Chairman.– A calibration exercise was undertaken by the Committee to agree candidates to be invited for final interview.– Final interviews were held with the Committee, or a sub-committee of the Committee.– Additional advisory meetings with executive management were included, where appropriate.
5. Due diligence and recommendation	<ul style="list-style-type: none">– A due diligence and referencing process was undertaken for all appointments.– Upon satisfactory completion, the Committee made appointment recommendations to the Board.

Nomination Committee report continued

Induction process

The Committee oversees the induction programmes of new Directors, which are designed to help establish a broad knowledge and full understanding of the company's operations and challenges, aspirations and culture. Each programme is tailored to meet a new Director's specific requirements and is phased to allow feedback and further customisation of development activities, where required. During the year, comprehensive and ongoing induction programmes were created for Thierry Garnier and Bernard Bot. They included:

- individual one-to-one meetings with all Directors and the Company Secretary;
- meetings with members of the Group Executive and senior members of the Group functions and retail banners;
- meetings with the company's external auditor and brokers;
- meetings with a number of the company's institutional investors;
- meetings with the company's legal advisers regarding the obligations of the company and its' directors, including those set out in the Act, the Code, the Listing and the Disclosure and Transparency Rules, and the EU Market Abuse Regulation;
- briefing sessions on the activities of each of the Board's committees;
- visits to the company's stores and its' office locations across the business; and
- access to the Board's online resources, including to key reference materials to support the above, including briefings on market status and competition.

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

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

The Board provides an indication of the time commitment expected from its non-executive directors on appointment, noting that additional requirements may emerge in certain circumstances. During the year, the Committee reviewed the independence, effectiveness and commitment of each of the non-executive directors and concluded that each remained independent and none were overextended, or unable to fulfil their duties to the Board.

Kingfisher's policy allows its executive directors to hold one external non-executive directorship as it considers that the additional exposure may be of mutual benefit to the company and the Director. Bernard Bot is a non-executive director and member of the audit committee of A.P. Møller-Mærsk A/S. Prior to leaving the Board, Karen Witts served on the board of Imperial Brands plc and chaired its audit committee. Thierry Garnier does not have any external appointments.

Andrew Cosslett completed his first three-year term at the end of March 2020. During the year, the Committee reviewed his commitment and contribution to the Board and recommended his reappointment for a further three-year term. The Board accepted the Committee's recommendation.

Diversity and Inclusion

The Committee reviews the effectiveness of the Board Diversity and Inclusion Policy annually, on behalf of the Board and recognises it is important that it remains aligned with the sentiment of the Kingfisher Code of Conduct. As a business, Kingfisher values the richness of diversity and is committed to promoting a culture of equality and diversity, recognising that people from different backgrounds and experiences bring valuable contributions to our company.

The table opposite sets out the company's published commitments designed to ensure delivery against the Policy's objectives, together with an outline of the progress made. The Committee considered that these commitments were met during the year and remain integral to the executive and non-executive director recruitment process. A copy of the Board Diversity and Inclusion Policy is available on our website.

Details of gender diversity on the Board are set out with the biographies on page 48 and, in line with the Companies Act 2006, are set out together with the gender diversity of senior management and the total workforce, on pages 20 to 21 in the Strategic report.

Disclosure	Commitments	Progress to date
Engage with executive search agencies in a manner which enhances opportunities for diverse candidates to be considered for appointment	<ul style="list-style-type: none"> - Only those executive search firms which are signatories to the Voluntary Code of Conduct for Executive Search Firms (the Voluntary Code) will be considered when recruiting for a Board position. - The Committee will work with the executive search agency to prepare an appropriate role brief, including relevant skills, underlying competencies, and personal capabilities desired, in order to support the agency in assessing candidates from a broad range of backgrounds. - To facilitate the provision of a broad and diverse range of candidates the Committee will require longlists to be drawn up following consideration of candidates from both within and beyond the corporate mainstream, in line with the requirements of the Voluntary Code. 	<ul style="list-style-type: none"> - Egon Zehnder and Heidrick & Struggles, our retained search consultants, are accredited firms under the UK Government's Enhanced Code of Conduct for Executive Search Firms. - The Committee met with Egon Zehnder during the year to discuss the recruitment of the CEO, the CFO and an additional non-executive director, in line with these requirements. - The longlist approach was carried out for each of the vacancies recruited for during the year. The Voluntary Code applies equally to executive and non-executive director positions.
Support Board-level diversity throughout the succession planning process	<ul style="list-style-type: none"> - Succession planning will be reviewed at least annually by the Committee and will address the need for progressive refreshing of the Board, in accordance with the requirements of the Code. - The Committee will assess current individual Board member competencies and develop its understanding of the qualities needed for the company's continued Board and committee effectiveness in the longer term. This review will also consider the long-term diversity of the Board. - Non-executive directors will normally serve no more than nine years to support progressive refreshing of the Board and to maintain appropriate levels of independence. Appointments of non-executive directors for periods beyond nine years will be made only in exceptional circumstances. 	<ul style="list-style-type: none"> - The Committee continues to look at Board succession and the skills and experience matrix at least annually. - Questions intended to elicit the Board's consideration and assessment of its Directors' competencies and diversity makeup and ambition have continued to be included in the 2019/20 Board evaluation conducted by Dr. Tracy Long. - These stipulations, which were reaffirmed by the Code published in 2018, have continued to be followed by the Committee. The progressive refreshment of the Board that has taken place during 2019 actively reflects this.
Support efforts to increase diversity in the senior management pipeline towards executive and non-executive Board positions	<ul style="list-style-type: none"> - Senior management succession planning processes will include identification of individuals within the organisation with Board-level potential and will support those individuals to progress their careers. 	<ul style="list-style-type: none"> - The company remains committed to better gender balance at all levels of its retail banners. It remained in the top ten companies reported on in the FTSE Women on Boards Leadership Index, which covered membership of both the Board and the Group Executive.

Audit Committee report

Dear Shareholder,

The Committee is integral to the company's governance framework. The Board has delegated responsibility to the Committee for oversight of the accounting, financial reporting and internal control processes, risk management, internal audit and the company's relationship with the external auditor. The Committee's main activities in 2019/20 are set out on page 63 and the significant financial reporting matters considered are set out on pages 64 and 65. Areas of focus included the company's approach to the adoption of IFRS 16 'Leases', the review of our results ahead of publication and of going concern and viability in light of the outbreak of the Covid-19 pandemic, asset impairment risks, and the consideration of internal audit reports prepared during the year.

The Committee has an annual forward agenda covering key events in the financial reporting cycle, a programme of reviews of our retail banners and Group functions, and standing items, in line with its terms of reference. This agenda evolves in response to the changing risks and priorities of the business. The Chairman reports to each subsequent Board meeting on the activity of the Committee and as needed on matters of relevance to the Board in the conduct of the Committee's role.

An important part of the Committee's responsibilities is to assess key issues in respect of published financial statements and the Committee pays particular attention to any matters which it considers may affect the integrity of the company's financial statements, with a view to satisfying itself that each matter has been treated appropriately. The significant financial reporting matters considered during the year and the actions taken by the Committee in relation to this 2019/20 Annual Report and Accounts are set out in detail on pages 64 to 65. We discussed these with the external auditor and, where appropriate, these have been addressed as areas of audit focus in the Independent Auditor's report on pages 98 to 111.

Looking forward to 2020/21, key activities of the Committee will be, to:

- continue to closely monitor liquidity risk management in the context of the going concern and long-term viability assessments of the business;
- continue its focus on internal controls and risk management with particular emphasis on monitoring execution of the future strategic plan and delivery of the transformation objectives;

	Eligible	Attended
Jeff Carr*	4	4
Anders Dahlvig**	2	2
Rakhi Goss-Custard	4	4
Mark Seligman	4	4

* Chairman.

** More details on attendance and those directors who stepped down during the year are set out on page 52.

- further strengthen the role of the Internal Audit function based on the outcome of the independent effectiveness evaluation that will be conducted during the year and the adoption of a revised three-year internal audit plan; and
- continue to closely monitor the adequacy and effectiveness of the company's policies and controls relating to compliance and ethical conduct.

Effectiveness evaluation

I am happy to report that the 2019/20 effectiveness evaluation concluded that the Committee continued to operate effectively. However, it was considered that the Committee should keep its composition and size under review during 2020/21.

The 2018/19 effectiveness evaluation of the Committee had concluded that the Committee and the Board should continue to develop the forward agenda and individual meeting agendas to align with the 2018 Code provisions. These points were incorporated into the Committee's forward agenda of activities for the forthcoming year and further detail is set out in this report.

Jeff Carr

Chairman of the Audit Committee

16 June 2020

Committee key activities 2019/20

1. Adoption of the IFRS 16 'Leases' standard
2. Received controls presentations from our retail banners and Group functions
3. Reviewed the outputs of internal audits conducted, including the transformation programme and Delivery Office
4. Analysed significant financial reporting matters, including impairments, exceptional items and provisions
5. Considered going concern and longer-term viability, particularly in light of Covid-19 impacts
6. Reviewed operational response and crisis risk management activities following Covid-19 outbreak

Areas of focus 2020/21

1. Continue to closely monitor crisis and liquidity risk management in the context of going concern and longer-term viability in light of Covid-19 impacts
2. Receive controls presentations from our retail banners and Group functions, including execution of the new strategic plan
3. Review the findings and adopt recommendations of the independent effectiveness evaluation of Internal Audit
4. Review and adopt the Internal Audit three-year plan
5. Continue to closely monitor adequacy and effectiveness of compliance and ethical conduct policies and controls

Governance

The Board has approved terms of reference for the Committee that are reviewed and updated annually, and are available on the website. Membership of the Committee is comprised solely of independent non-executive directors. Jeff Carr has been designated the Committee member with recent and relevant financial experience to meet the Committee's responsibilities, and the requirements of the Code. Jeff is a qualified Chartered Accountant and an experienced CFO both in the retail sector, and listed UK companies.

The external auditor Deloitte LLP (Deloitte) is invited to attend each Committee meeting together with the Chairman, CEO, CFO and Company Secretary, who each attend as a matter of course. The Financial Controller and Internal Audit and Risk Director also attend each meeting.

The Committee allow time at the end of every meeting for a private session with each of the CFO and the Internal Audit and Risk Director, and meet privately with Deloitte at the half and full-year. There were no significant matters of note to report following these meetings.

Going concern and viability statements

The Committee received a report on both the company's ability to continue operating as a going concern and on the rationale and the tests conducted to support the viability statement, and considered how these aligned to the delivery of the new strategic plan. The report took in to account the unprecedented circumstances that have arisen since the outbreak of the Covid-19 pandemic and those measures taken to support the company's resilience. The going concern and viability statements are set out on pages 47 and 46, respectively. The Committee confirms that, following review, it has recommended both statements for approval by the Board.

Activities of the Committee during 2019/20

Fair, balanced and understandable

The Committee reviews the company's financial statements and announcements ahead of publication, subject to the prior assessment and endorsement of the Disclosure Committee. The Disclosure Committee is comprised of the CFO, Company Secretary, General Counsel and Investor Relations Director. On receipt of the Disclosure Committee's endorsement, the Committee considers, and challenges management regarding, significant accounting principles, policies and practices and their appropriateness, financial reporting issues and significant judgements made, including those summarised on pages 64 and 65.

Following its review of the 2019/20 Annual Report and Accounts, the Committee advised the Board it is of the opinion that these disclosures, and the processes and controls underlying their production, have met the latest legal and regulatory requirements for a UK listed company and that the 2019/20 Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and provide the necessary information to assess the company's position and prospects, performance, business model and strategy.

Accounting, tax and financial reporting

- Considered the going concern and longer-term viability statements and ultimately recommended their approval to the Board, having reviewed scenarios and risk mitigations underpinning the sensitivity analysis undertaken, and considered how these aligned to the delivery of the strategic objectives. This exercise was particularly important in respect of 2019/20, following the outbreak of the Covid-19 pandemic. Further information is set out in the significant financial reporting matters on page 64.
- Considered the findings of the external audit effectiveness review and recommended to the Board the reappointment of Deloitte LLP as external auditor for 2020/21.
- Received updates on:
 - the adoption of, and compliance with, the new lease accounting standard IFRS 16;
 - asset impairment assessments undertaken for goodwill, stores and other assets;
 - uncertain tax positions and transfer pricing policies;
 - the level and ageing of the Group's inventory;
 - alternative performance measures, including exceptional items and transformation costs;
 - the accounting and reporting for the previously announced exit of Russia and Iberia; and
 - payment practices, performance and policies for UK companies.
- Received briefings from Deloitte and management on emerging reporting and accounting regulation and standards, to the extent they impact the financial reporting matters for the Group.

Risk management and internal controls

- Considered Internal Audit's regular reviews regarding the effectiveness of delivery of strategic activities related to the transformation in order to provide the Committee with assurance regarding the governance, performance and delivery of the programmes.
- Received updates on the creation and evolution of a Delivery Office during the year with the intent to centralise oversight of delivery of strategic activities related to the transformation.
- Received briefings from the Internal Audit and Risk Director as well as from retail banner CEOs and Group function directors on operational risks and associated controls, including updates on:
 - controls failings during the period and how these would be mitigated or reduced going forward; and
 - in March 2020, on the company's operational response and crisis management activities following the outbreak of the Covid-19 pandemic.
- Considered the Group's business continuity planning framework.

Audit Committee report continued

Significant financial reporting matters

Matter considered	Role of the Committee	Conclusion
<ul style="list-style-type: none"> The Committee reviewed and endorsed management's assessment of going concern (in note 2a to the consolidated financial statements). 	<ul style="list-style-type: none"> Following the unprecedented circumstances that have arisen since the outbreak of the Covid-19 pandemic, the Committee has reviewed management's assessment of going concern for reporting in this 2019/20 Annual Report and Accounts. This included a review and challenge of the cash flow scenario analysis performed, including sensitivities and the financing options available, and the conclusions reached. The key judgements were the likelihood and impact of a potential resurgence of the pandemic and the more durable impact on the economy and household spending in the Group's markets. 	<ul style="list-style-type: none"> The Committee endorsed management's assessment that the company has adequate resources to continue in operational existence for the foreseeable future, and that they should continue to adopt the going concern basis of accounting in preparing the annual financial statements. The Committee, having considered the forecast liquidity headroom under the different scenarios, also judged that a material uncertainty did not exist that would cast significant doubt upon the company's ability to continue as a going concern. Refer to notes 2a and 3 to the consolidated financial statements.
<ul style="list-style-type: none"> The Committee reviewed the impacts on the consolidated financial statements of adopting the new lease accounting standard IFRS 16 (note 37 to the consolidated financial statements). 	<ul style="list-style-type: none"> The Committee reviewed the new accounting policy, disclosures and restatement impacts on the 2018/19 comparatives, which are set out in note 37 to the consolidated financial statements. The review also included disclosures made on the full retrospective adoption impacts as set out in the 2019/20 interim condensed financial statements. The key accounting judgement of appropriate discount rates for the measurement of lease liabilities and right-of-use assets was also considered by the Committee. 	<ul style="list-style-type: none"> The Committee supported management's assessment of the adoption impacts and endorsed the new accounting policy, disclosures, adoption impacts and restatements, and the discount rates applied. The adoption resulted in the recognition at 1 February 2018 of £2.8 billion and £2.2 billion of lease liabilities and right-of-use assets, respectively. Refer to notes 3, 15 and 37 to the consolidated financial statements for further information.
<ul style="list-style-type: none"> The Committee considered the carrying value of goodwill (£2.4 billion in note 12 to the consolidated financial statements), poor-performing stores, and other assets to determine whether any impairment had been suffered. 	<ul style="list-style-type: none"> The Committee reviewed and challenged the results of the year end impairment exercise undertaken by management and assessed the validity of cash flow projections based on the three-year strategic plans and the significant financial assumptions used, including forecast sales growth, margin and operating profit percentages, allocation of central overheads, discount rates and long-term growth rates. The Committee considered the implications of underperformance at Castorama France, the ongoing challenges of integrating the former Praktiker business acquired in Romania, lower than anticipated contributions of certain B&Q stores, the cessation of development of certain unified IT platform modules and digital tools, and the planned exit of Russia. These projections and assumptions were challenged further through sensitivity analysis. The Committee also reviewed the post balance sheet impairment assessment undertaken in light of the estimated impacts of Covid-19. 	<ul style="list-style-type: none"> The Committee endorsed the recognition of net impairment losses of £315 million on stores, goodwill and other assets, in particular at Castorama France, Russia, Romania and B&Q in the UK. This included £18 million of goodwill relating to Romania. Refer to notes 3, 12, 13, 14 and 15 to the consolidated financial statements for further information on the impairment exercises undertaken, sensitivity analysis performed, and losses incurred. The Committee supported management's judgement that Covid-19 represented a non-adjusting post balance sheet event and that its impacts on asset balances were not material.

Matter considered	Role of the Committee	Conclusion
<ul style="list-style-type: none"> The Committee considered the treatment of provisions and contingent liabilities, discussed in notes 9 and 35 to the consolidated financial statements, in relation to uncertain tax positions. 	<ul style="list-style-type: none"> Throughout the year, the Committee reviewed various tax positions and audits across the Group's jurisdictions, including a dispute with the French Tax Authority (FTA) regarding the treatment of interest paid, claims in Hong Kong related to profits generated in other territories, transfer pricing arrangements, and the European Commission state aid investigation. This review has included the appropriate recognition and measurement of provisions recorded, and the classification and disclosures of contingent liabilities. 	<ul style="list-style-type: none"> The Committee endorsed management's judgements and assumptions in relation to the treatment of provisions and contingent liabilities for uncertain tax positions. Settlement of the FTA and Hong Kong cases resulted in the recording of an exceptional charge (including interest and penalties) of £75 million and an exceptional credit of £35 million, respectively. A contingent liability with a maximum potential exposure of £63 million has been disclosed for the state aid investigation. Refer to notes 3, 9 and 35 to the consolidated financial statements.
<ul style="list-style-type: none"> The Committee reviewed the principal judgements relating to inventory valuation (£2.5 billion in note 18 to the consolidated financial statements). 	<ul style="list-style-type: none"> The Committee reviewed the levels of inventory at each of the operating businesses, the performance of the Unified & Unique offer range and the estimated impacts on future selling prices of range review and clearance activities. This review included consideration of the higher stock levels in Castorama France and its weak trading performance, and the impacts of new ranges such as kitchens in B&Q. The Committee reviewed the Group's inventory provisions and policy, which takes into account factors including stock turn, range or de-listed status, shrinkage, damage and obsolescence when assessing net realisable value. 	<ul style="list-style-type: none"> The Committee endorsed management's principal judgements relating to inventory valuation and concurred that the level of provisions was appropriate in light of the profile of inventories held by the Group at the reporting date.
<ul style="list-style-type: none"> The Committee reviewed and endorsed management's assessment of exceptional items (£400 million after tax in note 5 to the consolidated financial statements). 	<ul style="list-style-type: none"> The Committee reviewed the classification as exceptional of items including significant impairments of stores (as noted above), restructuring costs principally related to store closures in France, and the FTA tax settlement (as noted above). Whether an item is treated as exceptional falls outside of IFRS and the Group therefore makes its own determination, in accordance with its policies and practice. Refer to note 2 to the consolidated financial statements for the definition of exceptional items. With a new executive management team in place and strategy being developed, the Committee also assessed the previous practice of internal and external reporting of 'underlying' profit measures and related non-exceptional transformation costs. 	<ul style="list-style-type: none"> The Committee was content that the Group's policy for the classification of exceptional items, amounting to £400 million after tax in the year, had been applied consistently and appropriately. The Committee judged that the continued reporting of 'underlying' (in addition to 'adjusted') results was no longer appropriate, given the additional complexity of multiple performance measures and the importance of monitoring such initial costs of transformation, and that this simplified approach would be applied under the new strategy. To reflect this decision and ensure year-on-year comparability of reported results, the 2019/20 full year results have been reported using only 'adjusted' (generally pre-exceptional) alternative performance measures, with 2018/19 comparatives restated accordingly.

Audit Committee report continued

External audit

The Committee has oversight of the company's relationship with, and performance of, the external auditor. This includes making recommendations to the Board on the appointment, reappointment and removal of the external auditor, assessing its independence on an ongoing basis and negotiating the audit fee. The Committee reviewed the terms of engagement and fees payable for the 2019/20 audit work. Details of the amounts paid to Deloitte for their audit services are set out in note 3 of this report.

Deloitte was appointed as auditor of the company in 2009/10 and reappointed in 2019/20 following a comprehensive and competitive audit tender process. The current external audit engagement partner is Nicola Mitchell, who has held this role since the start of the 2019/20 process. For the financial year ending 2020/21, the Committee has recommended to the Board that Deloitte be reappointed under the current external audit contract and the Board has endorsed that recommendation. The Board has therefore proposed the reappointment of Deloitte at the 2020 AGM. The company will be required to put its external audit process out to tender again no later than 2029.

Independence and non-audit services

In addition to their statutory duties, the services of Deloitte are also engaged where, due to their position as external auditor, they 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 by competitive tendering. The company's policy governing the use of Deloitte to provide non-audit work can be found on the website.

The Committee reviewed the quality of all audit and other services provided throughout the year and considered Deloitte's independence, objectivity and effectiveness. The Committee decided that no breaches of policy had been identified that would call into question the independence or objectivity of the auditor in providing a true and fair opinion on the company's financial statements and annual report. In addition, Deloitte confirmed that they were not aware of anything that they should bring to the company's attention in relation to their independence and objectivity.

Effectiveness

The effectiveness of the external auditor was assessed during the year. The Committee took into account factors, including the quality, continuity, experience and training of the audit team, business understanding, technical knowledge and the level of rigour applied in the review processes of the work undertaken, communication of key accounting and audit judgements, together with appropriate audit risk identification at the start of the audit cycle.

As part of their review, the Committee considered the findings of the review undertaken by the FRC's Audit Quality Review (AQR) team of Deloitte's audit of the Group financial statements for the year ended 31 January 2019, which the AQR had selected as part of their 2019/20 annual inspection of audit firms. The Committee discussed these findings with Deloitte. The Committee confirmed that no significant issues were raised that would have a bearing on Deloitte's appointment. Based on this review, the Committee concluded that Deloitte should be recommended for reappointment for 2020/21.

Accountability, risk management and internal control

Accountability

The Board has overall responsibility for the system of internal control, which is designed to safeguard the assets of the company and ensure the reliability of the financial information for both internal use and external publication. The Committee has primary responsibility for the oversight of the company's system of internal control, including the risk management framework and the work of the Internal Audit function. Internal Audit reports directly to the Committee and has the authority to review any part of the company and its businesses and to oversee the operation of the individual retail banners' audit committees. From 2020/21, Internal Audit will present to the Board at least annually to support the function's role in providing the Committee and the Board with objective assurance on the control environment across the Group.

During the year, the Committee closely monitored the Group's internal control and risk management systems and received regular reports from management and the Internal Audit and Risk Director covering the major risks and/or events faced by the business. Kingfisher's approach is compliant with the requirements of the Code and developed with reference to the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Committee provides an independent overview of internal control matters. Deloitte's reports to the Committee include key audit risk and control findings relevant to the audit process.

Risk management and internal control

The company's risk assessment process and the way in which significant business risks are managed is a key focus for the Committee. The Committee's consideration of risk management and internal control is driven primarily by the company's assessment of its emerging and principal risks and uncertainties, as set out on pages 36 to 45.

The Board has responsibility for establishing a framework of prudent and effective controls, which enable risk to be assessed and managed. Our internal control environment is codified in a suite of policies, procedures, and operating standards. Delegated authorities are also in place to ensure approval for significant matters is derived at the appropriate level. Such procedures are subject to regular review and provide an ongoing process for identifying, evaluating and managing the significant risks faced by the company. This internal control environment is designed to manage rather than eliminate the risk of failure to achieve the business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Management is responsible for applying judgement when evaluating the risks the company faces in the achievement of its objectives and assessing the likelihood that they will come to fruition, and the appetite and potential for their mitigation. Further information regarding the company's approach to risk management is set out on pages 36 to 45.

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

- an annual planning process and regular financial reporting, comparing results with plan and the previous year, on a monthly and cumulative basis;
- reports from the CEO and CFO at each Board meeting;
- written reports from retail banner CEOs and Group function directors to the Committee on the control environment in their business and improvements made, as appropriate; and
- reports and presentations to the Board on certain specialist risks, including treasury, insurance, tax and pensions.

In addition, retail banner CEOs and Group function directors certify bi-annually, compliance with the company's policies and procedures and that appropriate internal controls were in operation during the period under review. Any weaknesses are highlighted, and the results are reviewed by the Internal Audit and Risk Director, the CFO, the 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. Each year the Internal Audit function's reviews are aligned to the company's risks. The function works with the retail banners and Group functions to develop, improve and embed risk management tools and processes into their operations.

Group Internal Audit

Reports from the Internal Audit function during the year included updates on the company's risk management systems and findings from reviews of these systems. The Internal Audit function also led the Group's Operational Response and Crisis Management activities in response to the Covid-19 outbreak and reported to the Committee and the Board, regularly.

The Committee reviewed the remit, organisation, and resources of the function, together with the Internal Audit plan. The Internal Audit plan is regularly reviewed during the year to ensure the function remains aligned to the key risks of the business and responsive during delivery of the strategic plan.

In line with the Committee's intent to strengthen the role of the Internal Audit function, and aligned with the Chartered Institute of Internal Auditors' guidelines, the effectiveness of the Internal Audit function will be reviewed by an independent third party during 2020/21.

A competitive tender process has been initiated to identify and appoint an appropriate independent third party to undertake the review and gather the views of Committee members, relevant executive and senior management, and Deloitte. The process will assess the Internal Audit function's effectiveness in areas including internal audit resourcing, delivery and reporting.

The process will be led by the Company Secretary. Once concluded, the output of the review will be reported to the Committee where any proposed remediations will be discussed and approved.

Directors' remuneration report

Dear Shareholder,

As Chairman of Kingfisher's Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the financial year ended 31 January 2020. I succeeded Clare Chapman as Chairman of the Committee on 21 January 2020, having served as a member of the Committee since joining Kingfisher in November 2018. In this introductory statement, I describe the context to Kingfisher's remuneration arrangements, and the key items considered by the Committee during the year, including the review and approval of our Directors' Remuneration Policy (the Policy), consultation with shareholders on our remuneration arrangements and implementation of the Policy for 2020/21, Annual Bonus outcomes for 2019/20, remuneration arrangements as a result of changes to the Board and the broader context of remuneration at Kingfisher. I also provide an update on how the Committee is responding to the Coronavirus pandemic which I lead with below.

Coronavirus pandemic (Covid-19)

Since the end of the last financial year Kingfisher has had to respond to the unfolding impacts of Covid-19, which are set out in the Chairman's introduction to the Corporate Governance report on pages 50 to 51. The Committee is highly conscious of the impact the pandemic is having on our colleagues, customers, suppliers and wider stakeholders and this will be taken into key consideration as part of any decisions the Committee make during the year and following the year end. As part of our response to the pandemic:

- The Executive Directors and members of the Group Executive have voluntarily asked for a reduction in their base pay by 20%. This is a temporary measure effective from 1 April 2020.
- The Chairman and non-executive directors have also voluntarily asked for a reduction in their fees by 20% effective from the same date.
- The Committee determined that no 2019/20 annual bonus should be paid. This was due to both the underlying performance of the business over 2019/20 and the challenging circumstances the business is experiencing in this financial year.

The Committee will continue to monitor the impact of the pandemic on the business and whether any additional action is required.

Adoption of the new Remuneration Policy in 2019

Throughout the review and design process for the 2019 Remuneration Policy, the Committee's guiding principles were to develop remuneration arrangements that maximise support for the delivery of our strategy and align with shareholders' interests, whilst taking into account latest best practice and market developments.

Following the review of the Policy, we retained broadly the same remuneration policy as previously, but with the long-term Delivering Value Incentive split into two performance periods, the first running over three years to 2021/22 and the second running over three years to 2023/24. The targets for this second tranche will be set at the start of the 2021/22 financial year and will be communicated in next year's Directors' Remuneration Report. We will continue to keep the policy, measures, and targets under review to ensure they align with the Chief Executive Officer's (CEO) strategic review. For the 2019/20 package, 91% of the total incentive opportunity is directly linked to financial performance and 88% is weighted to the long-term.

Engagement with shareholders

As part of the review of the Remuneration Policy we engaged with the majority of our shareholder base, and our 2019 Remuneration Policy was supported by 97% of shareholders at the AGM in July 2019.

The Committee does, however, recognise that the Annual Report on Remuneration received a 24% vote against at the 2019 AGM which followed one proxy advisor raising a concern about the appropriateness of the level of reward for progress on the business fundamentals given the in-year financial results. Following the AGM, a further consultation was carried out with shareholders to seek feedback on our remuneration arrangements. The key messages from the engagement process were that shareholders continued to overwhelmingly support the Remuneration Policy and its implementation and in particular they welcomed the opportunity to set targets for the second half of the Delivering Value Incentive award in 2020 in light of the new CEO and Chief Financial Officer (CFO) appointments, and their review of strategy. However, certain shareholders had specific issues with the Annual Bonus payout for the 2018/19 financial year and the award of Alignment Shares to the departing CEO (which is disclosed fully on page 80).

Following the conclusion of the consultation, we published a statement on our website in December 2019 reminding shareholders of the Committee's previously stated intention to evolve the performance measures for the Annual Bonus to include more quantifiable outcome metrics, linked to financial performance of the business, and to confirm the default position for any future executive leavers in respect of the award of Alignment Shares. More detail on these proposals can be found on page 81 of the Annual Report on Remuneration.

Performance and remuneration decisions made during the year

We remain committed to ensuring that rewards received by our executives focus on long-term outcomes, aligned to our strategic priorities. Read more about these in the Annual Report on Remuneration, which begins on page 78. The remuneration decisions detailed overleaf illustrate how we, as a Committee, are executing this commitment.

In this report

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About this report

The Directors' Remuneration Report, on the following pages 68 to 93 has been prepared in compliance with the remuneration disclosures required under the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

Annual Bonus outturn

The 2019/20 Annual Bonus was assessed against the key strategic measures linked to our strategic priorities. The formulaic outcome of the milestones was 70% of maximum. In line with the policy, the Committee undertook a holistic review of underlying performance. In light of the extremely challenging outlook for trading conditions, and the overall shareholder experience over the year, as well as the challenges the business is facing in 2020/21 as a result of Covid-19 the Committee determined that no bonus would be paid to Executive Directors for 2019/20. Full detail on the performance against each of the 2019/20 strategic measures can be found on page 83.

2017 Alignment Share awards

Performance against the underpins attached to the 2017 Alignment Share awards was assessed ahead of vesting. The Committee reviewed the underpins as at 31 January 2020, and although net debt to EBITDA was less than 2.5 times under IFRS 16, it was exceeded under an estimate of IAS 17 so the Committee applied its discretion to reduce vesting of the relevant 2017 award by at least 50%. Furthermore, it was announced on 23 March 2020 that in light of the unprecedented uncertainty caused by Covid-19, the Board would not be proposing a final dividend in respect of 2019/20. Therefore, the maintenance of the dividend and dividend cover underpin would not be met and the remaining 50% of the 2017 Alignment Share award will also lapse. Further details on the assessment of performance can be found on pages 83 and 84.

Impact of accounting changes on incentive award targets

The Committee reviewed targets and underpins attached to the Transformation Incentive, Delivering Value Incentive and Alignment Shares in the context of the implementation of IFRS 16 and were satisfied that the existing targets remain appropriate given the relatively low impact on the respective measures. However, the Committee will continue to assess the net debt to EBITDA underpin on both an IFRS 16 and estimated IAS 17 basis until credit agencies update their approach for IFRS 16. Further details can be found in the sections for the respective awards in the Annual Report on Remuneration.

Changes to the Board

We announced on 24 July 2019 that Thierry Garnier would join the Board as CEO on 25 September 2019, and on 9 October 2019 that Bernard Bot would join the Board as CFO on 21 October 2019. The remuneration arrangements for both Thierry and Bernard are fully consistent with our Remuneration Policy. The remuneration packages were designed to provide a competitive total pay arrangement with a focus on long-term outcomes which aligns with the interests of shareholders. The principal elements of these packages were communicated via market announcement on their appointment to the Board. Details of their remuneration are set out in full on pages 79 and 80 of the Annual Report on Remuneration and scenario charts illustrating the potential value of their remuneration can be found on page 76 of the Remuneration Policy.

Remuneration arrangements for the departing CEO

As part of the succession planning for the CEO role, the Committee reviewed and approved the remuneration arrangements for the outgoing CEO, Véronique Laury. Full details of her termination remuneration arrangements, which were in line with the Remuneration Policy and did not include any payments by way of compensation for loss of office, can be found on page 80 of the Annual Report on Remuneration. She will be required to maintain her shareholdings for two years post-employment.

Key remuneration decisions for 2020/21

The Committee will implement the Remuneration Policy on a similar basis to 2019/20 for 2020/21. One key development, in response to feedback from our shareholders, will see an increased focus in the Annual Bonus on quantifiable outcome metrics, with a stronger link to financial performance of the business. For more details on the key remuneration decisions and application of the Policy for 2020/21 please see page 92 of the Annual Report on Remuneration.

Consideration of the broader context

It is Kingfisher's colleagues who make all the difference every day for customers and that is why the Committee also oversees the drive for fair employment practices across the whole workforce. We are also mindful of the evolving public focus on executive remuneration and the Committee's role in ensuring that rewards are fair and proportionate.

The Committee has also overseen Kingfisher's third gender pay report, which is available on the website. Whilst this analysis is a statutory requirement, in the UK management also produce additional analysis to support pay decisions across all our markets. For the second year we have disclosed our CEO pay ratio (see page 87) which the Committee reviews annually. The Committee believes that having a diverse workforce, with fair representation, is strategically important and generates value for all our stakeholders. For our colleagues in store roles, our UK rates of pay exceed the National Living Wage.

The newly expanded pan-European consultative body, the Kingfisher Colleague Forum (KCF), met twice during the year, with attendance by the company Chairman, and the CEO for the second meeting. A non-executive director will continue to attend future meetings. Details of the discussion have been reviewed by the Board, and this has proven to be a strong engagement channel. This, alongside the colleague engagement tool implemented in 2018, has provided an opportunity for the workforce's views on a range of issues, including reward arrangements at Kingfisher, to be discussed and heard by Executive Management and the Board.

Looking ahead

The Committee recognises that executive remuneration continues to be an area of focus for shareholders and other stakeholders and remains committed to ensuring that we have an open and transparent dialogue with shareholders. The Committee will continue to monitor developments in executive remuneration over the coming year, especially in the context of Covid-19, and engage with shareholders and proxy agencies to ensure Kingfisher's leadership team remains appropriately incentivised.

Finally I would like to extend my sincere thanks to my predecessor, Clare Chapman, for her significant contribution as Remuneration Committee Chairman, her completion of the 2019 Remuneration Policy review and related shareholder engagement, and for ensuring a very smooth handover as I stepped into the role.

I will be available to answer any questions you may have about the Committee, its work and how it operates at the 2020 AGM.

Claudia Arney
Chairman of the Remuneration Committee

16 June 2020

Directors' remuneration report continued

At a glance

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

Our remuneration principles

Employees as shareholders <ul style="list-style-type: none"> Share ownership acting as transparent performance pay aligned to interests of shareholders Encouraging colleagues to become substantial long-term shareholders even after leaving the business 	Delivering the strategy <ul style="list-style-type: none"> Focusing incentives on team performance and development and strategic delivery Maintaining fairness through a consistent cascade of pay structures enabling all employees to share in our success 	Delivering value to stakeholders <ul style="list-style-type: none"> Prioritising long-term value creation over short-term financial goals Long-term reward linked to long-term performance as the strategy is delivered 	Simple, transparent and relevant <ul style="list-style-type: none"> Simple and transparent reward to ensure we pay people in a way that motivates them Awarding long-term incentives to those with the most impact on the business strategy
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Element	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Strategic link
Base Salary	Reviewed annually						
	Policy Set with reference to FTSE 25-75 and the retail peer group. Salary effective from appointment. Application of policy in 2020/21 CEO: £800,000 (note that from 1 April 2020 this has been voluntarily reduced to £640,000 on a temporary basis). CFO: £565,000 (note that from 1 April 2020 this has been voluntarily reduced to £452,000 on a temporary basis).						
Annual Bonus	Annual award						
	Policy To focus executives on the achievement of annual strategic objectives critical to the company's strategy. Maximum of 80% of base salary, paid fully in cash and based on performance against annual strategic measures. Remuneration in respect of 2019/20 Based on strategic measures resulting in no bonus being paid in respect of 2019/20 after application of downward discretion. CEO: £0 CFO: £0						Achievement of annual strategic measures critical to the delivery of the company's strategy
Alignment Shares	100% of award: three-year vesting period			Two-year post-vesting holding period			
	Policy To align executives' reward with the long-term health of the company and shareholder returns through a long-term share award. Maximum of 80% of base salary. For new Executive Director appointments 100% vesting in Year 3, subject to business health underpin measures and the two year holding period. Remuneration in respect of 2019/20 Award made at maximum opportunity (80% of salary) for CEO and based on time pro rata (41% of salary) for CFO in October 2019, following their appointments. Final award made to the former CEO under previous structure in July 2019. Application of Policy in 2020/21 Award to be made at maximum opportunity to the CEO and CFO (80% of salary). 100% of award to vest in Year 3, subject to underpins. The Committee to make the award based on strong performance of the CEO and CFO since appointment.						Balance sheet health
Delivering Value Incentive (formerly the Transformation Incentive)	2016: Five-year performance period						
	2019A: Three-year performance period		Two-year deferral period		2019B: Three-year performance period		
Policy To align executives' reward with the interests of shareholders; rewarding executives for the delivery of improved growth and providing shareholder returns through the execution of the company's strategy. Awards granted once every three years, subject to five-year vesting period. On-target award of 220% of salary for CEO; 200% for CFO. Maximum opportunity of four times on-target award. Remuneration in respect of 2016/17 Award granted at maximum opportunity in July 2016. Final vesting of awards is subject to EPS (50%) and ROCE (50%) performance over the five-year transformation period. Application of Policy in 2017/18 and 2018/19 No award made in 2017/18 or in 2018/19, in line with Policy. Application of Policy in 2019/20 Award granted to the CEO and CFO at reduced target opportunities of 190% of salary and, after time pro-rata, 162.5% of salary, respectively in October 2019. Final vesting of awards is subject to EPS (1/3), ROCE (1/3) and relative TSR (1/3) measured over two separate three-year performance periods within the five-year period.						Delivering long-term benefits for shareholders	

Directors' Remuneration Policy

Our Remuneration Policy (the 'Policy') is set out in this section. The Policy was approved by 97% of shareholders at the AGM held on 9 July 2019 following a comprehensive consultation with shareholders prior to approval. The full version of the shareholder-approved Policy can be found on the company's website at www.kingfisher.com/en/investors/company-reports. The Policy is presented unchanged from that approved by shareholders other than minor wording changes to reflect, for example, changes to the Board, and updated scenario charts.

Policy table (approved at the 2019 AGM)

Base salary	
<p>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.</p> <p>Operation Base salaries are set with reference to two primary comparator groups:</p> <ol style="list-style-type: none">FTSE 25–75 excluding financial services organisations; andFTSE 100 retailers and privately held retailers which are considered to be of a similar size and market capitalisation to the company. <p>Alternative peer groups may need to be referenced depending on the business circumstances or domicile of individual Executive Directors outside the UK.</p> <p>Base salaries are paid monthly in cash.</p>	<p>Maximum opportunity Maximum increase of 8% per annum.</p> <p>Increases awarded each year will be set out in the statement of implementation of the Remuneration Policy.</p> <p>Assessment of performance Individual performance is an important factor considered by the Committee when reviewing base salary each year.</p> <p>Changes None.</p>
<p>Benefits</p> <p>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.</p> <p>Operation The company may provide pension benefits (set out below), a company car or cash alternative, medical insurance, and life assurance cover. Other benefits may be provided from time to time if considered reasonable and appropriate by the Committee, such as relocation allowances, and would be explained in the subsequent Annual Report on Remuneration.</p> <p>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 Executive Directors on the same basis as offered to other company employees.</p>	<p>Maximum opportunity Maximum levels of benefit provision are:</p> <ul style="list-style-type: none">– Car allowance of £25,000 per annum.– Private medical insurance on a family basis.– Life assurance cover of four times base salary.– Store discount of up to 20%. <p>The cost of providing insurance benefits varies according to premium rates so there is no formal maximum monetary value.</p> <p>Any relocation allowance will be limited to 50% of base salary (inclusive of any tax payable on expenses reimbursed).</p> <p>Assessment of performance None.</p> <p>Changes None.</p>
<p>Pension</p> <p>Element and purpose To provide retirement benefits, support retirement planning, and provide a competitive fixed pay package.</p> <p>Operation Pension provision for Executive Directors is by way of contributions to a defined contribution scheme or cash allowance.</p>	<p>Maximum opportunity Maximum employer contribution into a defined contribution scheme of 14% of base salary or a cash alternative of 12.5% of base salary, in line with arrangements for other UK colleagues.</p> <p>Assessment of performance None.</p> <p>Changes None.</p>
<p>Annual Bonus</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Malus and clawback apply under circumstances as set out in the notes to the Policy table.</p> <p>Maximum opportunity The maximum Annual Bonus award is 80% of base salary.</p> <p>The level of payment at threshold is set on an annual basis but will not exceed 25% of maximum.</p>	<p>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.</p> <p>The measures will be dependent on the company's goals over the year under review and directly link to the key measurable strategic measures to incentivise executives to focus on the execution of the strategy.</p> <p>The performance targets are calibrated each year to align with the announced strategic plan.</p> <p>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.</p> <p>Changes None.</p>

Directors' remuneration report continued

Alignment Shares

Element and purpose

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

Operation

Alignment Shares are awarded annually subject to good personal performance.

Awards vest after three years, subject to the achievement of an underpin, and are subject to a two-year holding period.

Dividend equivalents are payable in respect of the shares that vest. Malus and clawback apply under circumstances as set out in the notes to the policy table.

Change of control provisions apply as set out in the notes to the policy table.

Maximum opportunity

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 net debt to EBITDA (prior to IFRS 16 this was 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 relevant 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 net debt to EBITDA ratio is exceeded due to a Board-approved acceleration of investment plans then the Remuneration Committee may apply discretion to allow vesting. In these circumstances the Committee may delay vesting by a further year to ensure sustainability of performance.

Changes

None.

Delivering Value Incentive (formerly the Transformation Incentive)

Element and purpose

To incentivise executives to deliver improved growth and returns for shareholders by executing the company's strategy. To retain executives and provide market-competitive total reward.

Performance conditions are aligned with shareholder interests and Kingfisher's transformation.

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

Change of control provisions apply as set out in the notes to the policy table.

Maximum opportunity

The on-target award granted once every three years is 220% of salary for the CEO and 200% for the CFO and any other Executive Directors.

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

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

Only one award will be made to each Executive Director during each three-year period. The equivalent annualised maximum opportunity that can be awarded is 293% of salary for the CEO and 267% of salary for the CFO.

Assessment of performance

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

- 1/3 relative total shareholder return (TSR);
- 1/3 earnings per share (EPS); and
- 1/3 return on capital employed (ROCE).

Performance of the 2019 award will be measured over two periods (i) 1 February 2019 to 31 January 2022 and (ii) 1 February 2021 to 31 January 2024. The outcomes of both periods will be assessed at the end of the five-year period to ensure they are appropriate within the context of the wider business performance. The performance measures have been chosen to balance growth and returns and ensure sustainable delivery of performance.

Changes

None.

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 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 Chairman of each of the Audit and Remuneration Committees.

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

Appropriate benefits, including the reimbursement of appropriate expenses may be provided from time to time, as required.

The Board may annually review fees paid to non-executive directors against those in similar companies and take into account the time commitment expected of them.

Fees are paid monthly wholly in cash.

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

Maximum opportunity

Aggregate annual fees paid to the Chairman and non-executive directors are limited by the company's articles of association, which may be varied by special resolution of the shareholders. The current limit contained within the articles of association is £1.75 million as approved at the 2014 AGM. Contributions towards the cost of running the Chairman's office will not exceed £60,000 per annum and are included within the aggregate fees set out above.

Assessment of performance

None.

Changes

None.

All-employee Share Plans

Element and purpose

Executive Directors may participate in Kingfisher's all-employee share plans on similar terms to other employees.

Operation

In particular UK-based Executive Directors may participate in the Sharesave Plan (Sharesave), a tax-approved all-employee scheme under which they make monthly savings over a period of three or five years, 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 employees to make monthly investments in Kingfisher shares.

Maximum opportunity

The maximum monthly limit for the Sharesave 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 UK Government.

The company may increase the amounts that can be saved or invested under the Sharesave and SIP plans in line with any increases authorised by the UK Government for approved plans.

Assessment of performance

None.

Changes

None.

Directors' remuneration report continued

Approach to recruitment remuneration

Area	Policy and operation
Overall	<p>When hiring a new Executive Director, or making internal promotions to the Board, the Committee will apply the Remuneration Policy. The rationale for the package offered will be explained in the following Annual Report on Remuneration.</p> <p>For internal promotions, any commitments made prior to appointment may continue to be honoured as the executive is transitioned to the new remuneration arrangements. Where an individual is promoted after the Delivering Value Incentive grant in the Policy period, an award may be made to bring the executive onto the in-flight cycle at an opportunity level reflecting their new role, subject to the limits set out in the Policy. Awards may be pro-rated to reflect the remaining portion of the vesting period. Any award will take into consideration awards granted prior to promotion.</p> <p>The Policy below is consistent with the principles of the previous Recruitment Policy which have been adapted in line with the new remuneration structure.</p>
Base salary	Base salary would be set at an appropriate level to recruit the best candidate based on their skills, experience and current remuneration.
Benefits	<p>Benefits provision would be in line with normal Policy.</p> <p>Where appropriate the executive may also receive relocation benefits or other benefits reflective of normal market practice in the territory in which the Executive Director is employed.</p>
Pension	Pension provision would be in line with normal Policy.
Incentive awards	<p>Incentive awards would be made under the Annual Bonus, Alignment Share and Delivering Value Incentive in line with the normal Policy, which determines the maximum incentive award that can be made.</p> <p>Where an individual joins after the Delivering Value Incentive grant in the Policy period, an award may be made to bring the executive onto the in-flight cycle subject to the limits set out in the Policy. Awards may be pro-rated for the portion of vesting period served.</p>
Buyout awards	<p>In addition to normal incentive awards, buyout awards may be made to reflect value forfeited through an individual leaving their previous employer.</p> <p>If a buyout award is required, the Committee would aim to reflect the nature, timing, and value of awards forgone in any replacement awards. Awards may be made in cash, shares, Alignment Shares, Delivering Value Incentive or by any other method deemed appropriate by the Committee. Where possible, share awards will be replaced with share awards. Where performance conditions applied to the forfeited awards, performance conditions will be applied to the replacement award or the award size will be discounted accordingly.</p> <p>In establishing the appropriate value of any buyout, the Committee would also take into account the value of the other elements of the new remuneration package.</p> <p>The Committee would aim to minimise the cost to the company, however, buyout awards are not subject to a formal maximum. Any awards would be broadly no more valuable than those being replaced.</p>

Shareholding requirements

To ensure the alignment of the interests of executives and shareholders over the long term, Executive Directors are required to build a significant shareholding. The shareholding requirement is 350% of salary for the CEO and 250% for any other Executive Director.

All shares owned beneficially 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 2014 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 or Delivering Value Incentive shares, and retain 50% of post-tax shares that vest from awards granted under the 2014 Remuneration Policy. It is expected that executives would retain 100% of post-tax shares from the Transformation Incentive or Delivering Value Incentive until the requirement is met.

As first implemented in 2016, upon leaving the company the shareholding requirements will continue to apply for two years. From 2019, the full shareholding requirement will apply for two years post-employment (previously 100% of the shareholding requirement for the first year and 50% of the shareholding requirement for the second year applied after departure). The Committee has established mechanisms to enforce the post-employment shareholding guidelines once an Executive Director has left the company.

Notes to the Policy table

Malus and clawback

Malus and clawback may operate in respect of the Annual Bonus, Alignment Shares and Delivering Value 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 or Delivering Value Incentive grants. 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 or Delivering Value 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 roll over outstanding awards. Other awards may be reduced at the Committee's discretion.

Discretions

The Committee retains certain discretions in relation to the Annual Bonus Plan which are set out in full in the plan rules, and which include but are not limited to:

- the determination, and timing, of any bonus payment;
- the impact of a change of control or restructuring;
- overriding formulaic outcomes in line with the provisions of the Code;
- adjustments for accounting or equivalent changes for both bonus and the Kingfisher Alignment Share and Transformation Incentive Plan (KASTIP); and
- any adjustments required as a result of a corporate event (such as a transaction, corporate restructuring event, special dividend, share buyback or rights issue).

Discretions set out as part of this Remuneration Policy provide the Committee with discretion in certain matters regarding the administration and operation of the Alignment Shares, Transformation Incentive and Delivering Value 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);
- the assessment of good leaver status;
- overriding formulaic outcomes in line with the provisions of the Code; 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, Transformation Incentive and Delivering Value 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 following Annual Report on Remuneration. The views of major shareholders may also be sought. Discretion in relation to the company's All-Employee Share Plans (Sharesave and SIP) would be exercised within the parameters of the HMRC-approved plan status and the FCA's Listing Rules.

Legacy awards

In-flight awards made before the adoption of this Policy will continue in line with the approved Policy under which they were granted. Further details of these awards can be found within the Remuneration Policy approved at the 12 June 2014 AGM and included within the 2013/14 Annual Report and Accounts, or the Remuneration Policy approved at the 15 June 2016 AGM and included within the 2015/16 Annual Report and Accounts.

Differences in Remuneration Policy for all employees

The remuneration structure for members of the Group Executive follows a similar approach as for the Executive Directors but with a lower maximum opportunity as appropriate. The Delivering Value 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 position of the individual and the part of the business in which they operate, however, many of our colleagues have a proportion of their remuneration assessed against our strategic measures.

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

Statement of consideration of employment conditions elsewhere in the company

The Chief People Officer (CPO) (or, whilst the role was vacant, their delegate) 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 wider remuneration policy. The CPO consults with the Committee on the performance conditions for the Executive Directors' bonuses and the extent to which these should be cascaded to other employees. The Committee has oversight of all long-term incentive awards across the Group.

The Committee is provided with data on the remuneration structure for all individuals in Kingfisher's leadership team which includes retail banner CEOs and Group function directors. The Committee approves the policy on share award levels for all employees and uses this information to ensure that there is consistency of approach across Kingfisher.

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

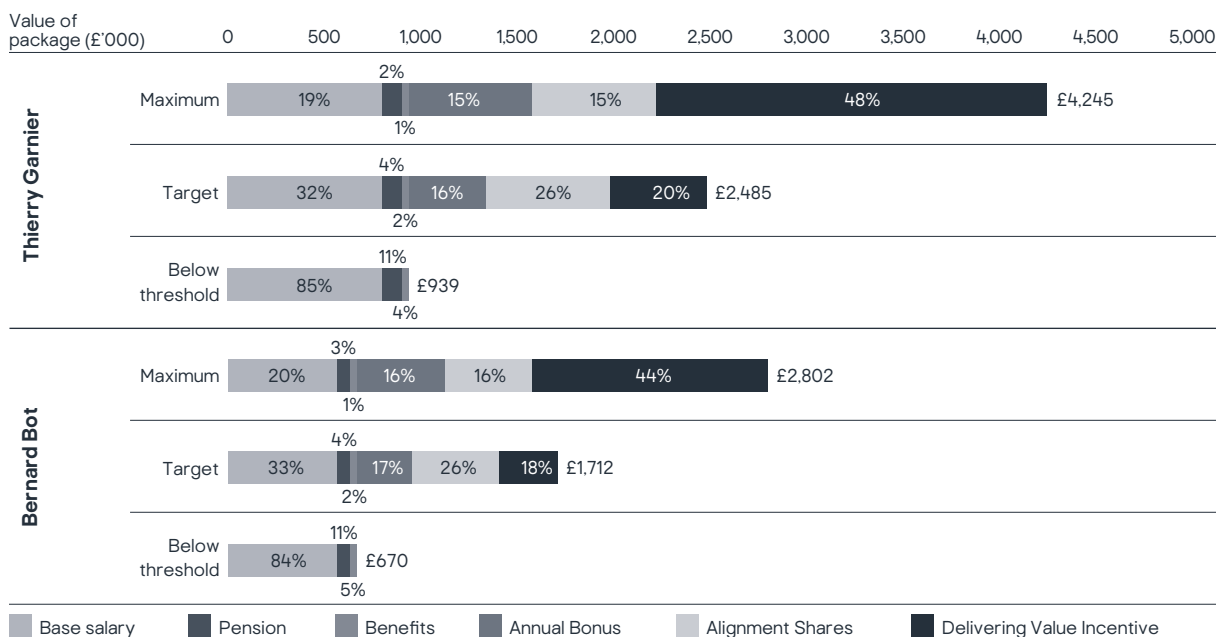
Directors' remuneration report continued

Statement of consideration of shareholder views

When determining remuneration, the Committee considers the views of our shareholders and best practice guidelines issued by institutional investor bodies. The Committee is always open to feedback from shareholders on our Remuneration Policy and remuneration arrangements and commits to ensuring consultation with our largest shareholders in advance of any significant changes to the Remuneration Policy. The Committee continues to monitor trends and developments in corporate governance and market practice to ensure the structure of executive remuneration remains appropriate.

Illustration of the application of the Remuneration Policy

The tables and charts below provide estimates of the potential total future remuneration for each Executive Director based on the remuneration opportunity expected to be granted in 2020/21. Potential outcomes for each Executive Director, based on three different performance scenarios, are shown. These graphs do not take into account share price appreciation or dividends received, however, the impact of share price appreciation is included as a footnote.



Notes:

Base salary: reflects the salary effective on 25 September 2019 and 21 October 2019, the dates of appointment for Thierry Garnier and for Bernard Bot, respectively.

Benefits: estimate based upon benefits received during 2019/20 as recorded in the single total figure of remuneration table.

Pension: shown as a percentage of salary in line with Policy.

Delivering Value Incentive: one award will be granted in the first three years. The figures above have been annualised by dividing the Delivering Value Incentive by three in recognition that there will be no award in years two (2020/21) and three (2021/22).

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 Delivering Value Incentive.

The Committee has also calculated the implied Target and Maximum remuneration scenario with the overlay of 50% share price increase on equity incentives. This would result in a target and maximum value of Thierry Garnier's package of £3,059k and £5,579k respectively and of Bernard Bot's package of £2,091k and £3,642k respectively.

Below threshold	On-target	Maximum
Only the fixed pay elements (base salary, benefits and pension) of the package are received.	Fixed pay elements plus target Annual Bonus are received. Alignment Shares and target Delivering Value Incentive vest.	Fixed pay elements plus maximum Annual Bonus are received. Alignment Shares and maximum Delivering Value Incentive vest.
Minimum performance targets for the Annual Bonus and Delivering Value Incentive are not achieved, therefore no payments are made, and awards will lapse.	Alignment Shares are equivalent to 80% of base salary.	Alignment Shares are equivalent to 80% of base salary.
The underpin requirement for the unvested Alignment Shares is not met.	Annual Bonus on-target performance is achieved, resulting in a bonus of 50% of salary.	Annual Bonus maximum performance achieved, resulting in a bonus of 80% of salary.
	Annualised Delivering Value Incentive on-target performance is achieved, resulting in a one times multiplier. The annualised value is 63% of salary for the CEO and 54% of salary for the CFO.	Annualised Delivering Value Incentive maximum performance achieved resulting in a four times multiplier. The annualised value is 253% of salary for the CEO and 217% of salary for the CFO.

Policy for payment for loss of office

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

Directors' remuneration report continued

Annual Report on Remuneration

This section of the report outlines how the Committee implemented the Directors' Remuneration Policy (the Policy) in the financial year ended 31 January 2020. This report, together with the Annual Statement from the Chairman of the Remuneration Committee, will be put to shareholders for approval at the AGM to be held on 24 July 2020. 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) Regulations 2008 (as amended) and include the items required to be disclosed under 9.8.6R and 9.8.8R of the Financial Conduct Authority's Listing Rules. Where information disclosed has been subject to audit by the Group's auditor, Deloitte LLP, this is highlighted.

The Remuneration Committee

The Committee has delegated authority from the Board over the company's remuneration framework and Policy. The role of the Committee is set out in the terms of reference which are reviewed and updated annually, and are available on the website.

Committee composition

The Committee comprised the following members during the year:

	Date appointed to the Committee	Eligible	Attended
Claudia Arney (Chairman)	01 Nov 18	7/7	7/7
Clare Chapman (Chairman – retired 21 January 2020)	16 Feb 11	7/7	7/7
Jeff Carr	29 Jan 19	7/7	7/7
Andrew Cosslett	13 Jun 17	7/7	7/7
Rakhi Goss-Custard	13 Mar 18	7/7	7/7
Mark Seligman	22 Jan 16	7/7	7/7

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

Activities during the year

The significant matters considered by the Committee during the year are set out below:

Areas of Committee focus	Items discussed
Remuneration Policy	<ul style="list-style-type: none"> Continued the review of the 2019 Remuneration Policy proposals and consultation with shareholders prior to approval of the Policy at the AGM. Continued the dialogue with shareholders following the advisory vote on the Annual Report on Remuneration at the 2019 AGM, to understand shareholder concerns and agree on the actions to be taken ahead of publication of the company's Update Statement on the website on 18 December 2019.
Salary review and remuneration decisions	<ul style="list-style-type: none"> Reviewed and approved the salary proposals in respect of the Group Executive and Company Secretary. Considered the treatment of remuneration for Véronique Laury, Alastair Robertson and John Colley in advance of their departure from the company. Approved new remuneration packages for Thierry Garnier, Bernard Bot, John Wartig, Alain Rabec, Jean-Jacques Van Oosten, Martin Lee, Adela Smeu and Kate Seljeflot following their respective appointments to the Board and Group Executive.
Annual Bonus	<ul style="list-style-type: none"> Judged performance against the 2018/19 strategic measures and agreed the 2018/19 bonus outturn for the Executive Directors and other members of the Group Executive. Approved the strategic measures and agreed the performance targets for the 2019/20 financial year. Approved the 2020/21 strategic measures and performance targets.
Alignment Shares	<ul style="list-style-type: none"> Approved the underpins to be used for the 2019 Alignment Share awards and the subsequent grant of awards. Reviewed the performance of the 2016 Alignment Share underpins and agreed the application of discretion in approving the vesting of awards.
Delivering Value Incentive	<ul style="list-style-type: none"> Approved the targets to be used for the 2019 Delivering Value Incentive awards and the subsequent grant of awards.
Governance and other areas of focus	<ul style="list-style-type: none"> Received updates from Group Reward on progress of the Group's project to provide a fair and appropriate pay structure for all colleagues. Considered updates to the company's guidelines on share ownership. Monitored developments in corporate governance and market practice in respect to executive remuneration. Reviewed the output of the annual Committee evaluation process. Reviewed and approved the 2018/19 Directors' Remuneration Report. Received updates on and considered Kingfisher's gender pay gap reporting. Undertook the annual review and approval of the updated Committee Terms of Reference.

Changes to the Board

We announced on 24 July 2019 that Thierry Garnier would join the Board as CEO on 25 September 2019, and on 9 October 2019 that Bernard Bot would join the Board as CFO on 21 October 2019. The remuneration arrangements for both Thierry and Bernard are fully consistent with our Remuneration Policy and were designed to provide a competitive total pay arrangement with a focus on long-term outcomes which aligns with the interests of shareholders.

Remuneration for the CEO

Thierry was appointed with a salary of £800,000 (£800,900 for his predecessor). He receives a pension allowance of 12.5% of salary in line with arrangements available to other UK colleagues and other benefits in line with the Remuneration Policy.

He was eligible to participate in the company's 2019/20 Annual Bonus with a maximum opportunity of 80% of salary, pro-rated to reflect his start date. The Annual Bonus focuses executives on strategic execution and the delivery of KPIs that contribute to sustainable returns. Following the application of downwards discretion by the Committee, no bonus was paid in respect of 2019/20.

Thierry received an Alignment Share award for 2019 of 80% of salary which will be 100% subject to performance criteria related to the balance sheet and financial strength of the business measured over three years and followed by a two-year holding period. Thierry also received a Delivering Value Incentive Award, which has a five-year vesting period. This incentivises the delivery of Earnings Per Share (EPS), Return on Capital Employed (ROCE) and Relative Total Shareholder Return (TSR). Awards will be granted every three years. At target this equates to 190% of salary (63% of salary per annum and at maximum it is 253% of salary per annum).

Thierry's shareholding requirement is 350% of salary and will apply for two years after departure. As Thierry moved from China to the UK, he is eligible to receive up to 50% of salary in relocation benefits.

Directors' remuneration report continued

Thierry also received an additional Delivering Value Incentive award with a target value of 20% of salary to compensate for a long-term retention award, that would have vested on retirement, forfeited on leaving his previous employer. In line with the Remuneration Policy this is subject to performance conditions and mirrors the standard Delivering Value Incentive award. He was not compensated for recent long-term incentive awards made by his previous employer.

Remuneration for the CFO

Bernard was appointed with a salary of £565,000. He receives a pension allowance of 12.5% of salary in line with arrangements available to other UK colleagues and other benefits in line with the Remuneration Policy.

He was eligible to participate in the company's 2019/20 Annual Bonus with a maximum opportunity of 80% of salary, pro-rated to reflect his start date. Following the application of downwards discretion by the Committee, no bonus was paid in respect of 2019/20.

He received a pro-rata Alignment Share award for 2019 which will be 100% subject to performance criteria related to the balance sheet and financial strength of the business measured over three years and followed by a two-year holding period. Bernard also received a time pro-rata Delivering Value Incentive Award, which has a five-year vesting period. At target this equates to 163% of salary (54% of salary per annum and at maximum it is 217% of salary per annum).

The share ownership requirement is 250% of salary and will apply for two years after departure.

There are no other payments or awards linked to his recruitment.

Remuneration arrangements for the departing CEO

Véronique Laury will continue to receive her base salary, pension and benefits up to the end of her 12-month notice period on 26 June 2020, when her employment will cease, and in accordance with her contractual entitlements and the Directors' Remuneration Policy, approved by shareholders on 9 July 2019. Véronique will receive a one-off relocation allowance to support her repatriation to France, within the limits allowed by the Policy.

Following the application of downwards discretion by the Committee, no bonus was paid to Véronique in respect of 2019/20. Véronique will not receive a bonus in respect of 2020/21, nor will she be granted any share awards in respect of 2020/21 under the Kingfisher Alignment Share and Transformation Incentive Plan (KASTIP).

Véronique will be treated as a good leaver in respect of her unvested awards under the KASTIP, and her 2019 Alignment Shares and 2016 Transformation Incentive awards will be pro-rated in line with the KASTIP Plan Rules, and each award will vest on the respective normal vest date subject to the achievement of relevant performance conditions. She will be required to retain the lower of her current shareholding and the equivalent of 350% of salary until the second anniversary of her date of leaving, in accordance with the current Policy.

Véronique will receive no payments by way of compensation for loss of office.

Remuneration arrangements for the former CFO

As disclosed in last year's report, Karen Witts was remunerated up to her date of leaving (21 March 2019) in accordance with her contractual entitlements and the Directors' Remuneration Policy, as approved by shareholders on 15 June 2016.

To reflect her contribution to the business the Committee awarded a bonus in respect of 2018/19, but she was not eligible to receive a bonus in respect of 2019/20, nor granted any share awards in 2019/20 under the KASTIP.

Her unvested awards under the KASTIP (Alignment Shares and Transformation Incentive) lapsed on cessation of employment, and she is required to retain the lower of her current shareholding and the equivalent of 250% of salary until the anniversary of her date of leaving, and the lower of her current shareholding and the equivalent of 125% of salary until the second anniversary of her date of leaving, in accordance with the 2016 Policy.

Karen received no payments by way of compensation for loss of office.

Advisors to the Committee

During the financial year ended 31 January 2020, PricewaterhouseCoopers LLP (PwC) provided services to the Committee. The advice received from PwC by the Committee was considered, and it was determined that PwC provides objective and independent advice to the Committee. The Committee is satisfied that the PwC LLP engagement partner and team, which provide remuneration advice to the Committee, do not have connections with the Group that may impair their objectivity and independence.

PwC was appointed by the Committee as its principal advisor on 1 February 2013 following a robust tender process. PwC is a member of, and adheres to, the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com). During the year, PwC provided the Committee with executive remuneration advice. PwC also provided Kingfisher with reward advice for below-Board staff, tax advice, accounting advice, and legal advice during the year. For services provided to the Remuneration Committee, the fees paid to PwC were £292,500. These fees were incurred through a retainer, and on a time and expenses basis.

Voting at the Annual General Meeting (AGM)

The following table shows the results of the advisory vote on the Annual Report on Remuneration and the binding vote on the Remuneration Policy at the 2019 AGM.

Resolution	Votes for (and % of votes cast)	Votes against (and % of votes cast)	Proportion of shares voted	Shares on which votes were withheld
Annual Report on Remuneration	1,302,062,736 (75.81%)	415,436,631 (24.19%)	81.39%	8,601,330
Directors' Remuneration Policy	1,667,154,482 (96.76%)	55,848,890 (3.24%)	81.65%	3,102,345

Following the 2019 AGM, the company published a statement on 18 December 2019 in response to the result of the advisory vote on the Annual Report on Remuneration, which received a 24.19% vote against the resolution and this report sets out a final summary of the actions taken by the Committee as required by the Code. The detailed statement published in December 2019 can be found on our website. Since the 2019 AGM, the Committee engaged with shareholders to understand any areas of concern they may have over our remuneration arrangements. The key messages from the engagement process were that:

- Shareholders continue to overwhelmingly support the Remuneration Policy that was approved at the AGM and particularly welcomed the opportunity to set targets for the second half of the Delivering Value Incentive award in 2020 (for the Financial Year 2021/22) in light of the new CEO and CFO appointments and their review of the strategy.
- Certain shareholders had specific views on the Annual Bonus payout for the 2018/19 financial year and the 2019 award of Alignment Shares to the departing CEO.

We found our discussions with shareholders helpful in understanding these concerns and in response, the following actions will be taken in 2020/21.

Annual Bonus performance measures

The performance measures for the Annual Bonus in 2020/21 will be weighted significantly to quantifiable outcome metrics that give a direct link to the financial performance of the business. The performance measures are disclosed on page 92 of this Annual Report on Remuneration, with full disclosure of the targets and achievement against these following in next year's report. The Committee will also retain its overriding discretion to assess any formulaic bonus outcome in the context of underlying financial performance of the business.

Alignment Share awards for departing Executive Directors

The Committee has agreed that whilst it will always consider the treatment of leavers on a case-by-case basis as there may be exceptional circumstances that need to be taken into consideration, the default position for any future executive leavers is that no award of Alignment Shares will be made after it is announced that an executive will depart from the business.

The Annual Report on Remuneration, together with the Chairman's statement, will be subject to an advisory vote at the AGM in July 2020.

Directors' remuneration report continued

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 2020 and the comparative figures for the financial year ended 31 January 2019.

Name		1. Base salary £'000	2. Taxable benefits £'000	3. Annual Bonus £'000	4. Alignment Shares £'000	5. LTIP £'000	6. Pension £'000	7. Total Fixed pay £'000	8. Total Variable Pay £'000	Total £'000
Executive Director										
Thierry Garnier ¹	2019/20	279.4	119.6	0	n/a	n/a	34.9	433.8	0	433.8
Bernard Bot ²	2019/20	159.7	9.7	0	n/a	n/a	20.0	189.4	0	189.4
Former Executive Directors										
Véronique Laury ³	2019/20	518.0	25.8	0	136.2	n/a	64.8	608.6	136.2	744.8
	2018/19	795.8	20.2	522.0	323.8 ⁵	–	99.5	915.5	845.9	1,761.3
Karen Witts ⁴	2019/20	88.0	3.8	n/a	n/a	n/a	15.4	107.2	n/a	107.2
	2018/19	610.9	26.7	400.8	124.8	–	106.9	744.5	525.6	1,270.1
Total	2019/20	1,045.1	158.9	0	136.2	n/a	135.0	1,339.0	136.2	1,475.2
	2018/19	1,406.7	46.9	922.8	448.6	–	206.4	1,660.0	1,371.4	3,031.4

1. Thierry Garnier joined the company on 25 September 2019.

2. Bernard Bot joined the company on 21 October 2019.

3. Véronique Laury stepped down from the Board on 24 September 2019.

4. Karen Witts stepped down from the Board on 21 March 2019.

5. The value of 2016 Alignment Shares that vested on 19 July 2019 has been updated from the figure disclosed in last year's report to reflect the actual closing share price at the vest date of 218.6 pence per share.

Notes to the single total figure of remuneration table

1. Base salary (audited information)

No salary increases were awarded to Executive Directors' for the 2019/20 financial year. The salaries of Thierry Garnier and Bernard Bot were set on appointment on 25 September 2019 and 21 October 2019, respectively. No other reviews took place during the year.

	On appointment £'000	As at 1 April 2019 £'000	As at 1 April 2018 £'000	% increase
Executive Director				
Thierry Garnier	800.0	n/a	n/a	n/a
Bernard Bot	565.0	n/a	n/a	n/a
Former Executive Directors				
Véronique Laury	n/a	800.9	800.9	0%
Karen Witts	n/a	n/a	615.8	n/a

2. Taxable benefits (audited information)

The benefits provided to Executive Directors for both 2019/20 and 2018/19 included car benefit (or cash allowance), private medical insurance, death-in-service cover, life assurance, tax advice and, where applicable, relocation support.

Name	Car benefit ¹ £'000	Medical £'000	Relocation support £'000	Tax advice £'000	Life assurance £'000	Total 2019/20 £'000	Total 2018/19 £'000
Executive Director							
Thierry Garnier	8.7	2.9	105.4	1.2 ²	1.3	119.6	n/a
Bernard Bot	7.1	2.0	n/a	n/a	0.6	9.7	n/a
Former Executive Directors							
Véronique Laury	4.9	3.0	n/a	15.9 ²	2.0	25.8	20.2
Karen Witts	3.2	0.3	n/a	n/a	0.3	3.8	26.7

1. Véronique Laury opted for a company car. Other Directors opted for the cash allowance.

2. This benefit relates to ongoing annual tax preparation assistance provided to the current CEO and former CEO. This assistance is provided in recognition of the international nature of the CEO's role and is limited to income tax return preparation required in respect of the CEO's employment income. Note that this figure is inclusive of tax payable on expenses reimbursed.

3. Annual Bonus (audited information)

The purpose of the Annual Bonus is to focus executives on the achievement of strategic measures that are critical to the Kingfisher strategy. The 2019/20 Annual Bonus was based on strategic measures with the following four pillars: Offer; Digital; Operational Efficiency; and Retail Operations.

The table below sets out the targets that were set in respect of each of the four pillars, the corresponding achievement against those targets during the year ending 31 January 2020, and the resulting payout.

Strategic pillar (weighting)	Target	Detail	Achievement	Total
Offer (30%)	Deliver growth in Unified & Unique sales and gross margin.	Deliver year-on-year like-for-like Group sales growth and Group margin growth from Unified & Unique product ranges.	2019/20 sales growth from Unified & Unique ranges (0.1%) was below the target whereas margin growth from Unified & Unique ranges (+60bps) was above the stretch target set by the Committee.	10%
	Demonstrate improvement of customer proposition.	Deliver year-on-year improvement in Net Promoter Score in each market.	All markets delivered improvements in their respective Net Promoter Scores versus 2018/19.	10%
Digital (30%)	Deliver digital sales growth.	Deliver overall digital sales growth and improvement of digital participation in Group sales.	2019/20 digital sales growth (18%) and digital penetration (7.6%) were above the stretch targets set by the Committee.	20%
	Complete common digital platform implementation in all retail banners excluding Screwfix.	Complete implementation of next generation platform in all retail banners (excluding Screwfix).	A decision was taken during the year to delay implementation in Brico Dépôt France, Poland and Romania in order to focus resources on improving the effectiveness of Castorama France's enabling IT platform and the efficiency of its operational processes.	0%
Operational efficiency (20%)	Deliver further benefits from operational efficiencies.	Deliver further benefits from GNFR & operational efficiencies.	Group GNFR savings delivered exceeded the stretch target set by the Committee.	20%
Retail operations (20%)	Trial new concept stores.	Trial new concept stores: 'express' and complete colleague and business analysis.	Wallington (UK) store opened in April 2019 with learnings taken on board for future openings. A further UK concept store in Merton opened in January 2020, however the full concept plan was not implemented during the year.	0%
	Maintain higher colleague engagement scores than retail sector.	Maintenance of 2018/19 Kingfisher colleague engagement score and higher than retail sector score.	Colleague engagement scores for the year maintained at 2018/19 levels and significantly above the retail benchmark.	10%
Total achievement prior to Committee discretion (% of maximum)				70%
Total achievement post Committee discretion (% of maximum)				0%

At the Committee meeting in March 2020 the Committee considered performance against each of the strategic measures set at the start of the year (as set out above), and the overall Annual Bonus outcome based on a holistic view of underlying performance. It was concluded that whilst the measures had been broadly achieved, resulting in an implied payout of 70% of maximum, that downward discretion would be applied and no bonuses would be paid to Executive Directors in respect of 2019/20. The Committee considers this level of bonus payment appropriate in the context of current business performance and the extremely challenging outlook for trading conditions, Covid-19, and the overall shareholder experience over the year.

4. Alignment Shares (audited information)

In line with our Policy, the Committee approved the grant of Alignment Shares at the level of 80% of salary for the CEO and a pro-rated award of 41% of salary for the CFO in October 2019. 100% of these awards will vest after three years and be subject to underpins. These awards will not appear in the single figure table until they vest in the 2021/22 financial year.

Directors' remuneration report continued

Given the very specific set of circumstances regarding the departure of Véronique Laury and the need to align the then CEO with the interests of the business and to support the succession process, the Committee approved the grant of Alignment Shares at the level of 80% of salary in July 2019. As she was in role prior to the application of our 2019 Policy, 25% of her award vested immediately; the number and value of the shares vested during the year is shown below.

Former Executive Directors	Number of shares ¹	Value of shares vested ² £'000
Véronique Laury	61,114	136.2

1. The number of shares shown represents the portion of the Alignment Share award granted in July 2019, which vested immediately.
2. Calculated using the closing share price on the date of vesting of 222.9 pence per share.

At the March 2020 Remuneration Committee meeting the Committee reviewed performance against the underpins attached to the Alignment Shares awarded in 2017 which are due to vest in 2020. Whilst the ratio of net debt to EBITDA was less than 2.5 times under IFRS 16 (2.0 times for 2019/20) it was over 2.5 times under an estimate of IAS 17. The Committee therefore applied its discretion to reduce vesting of the relevant 2017 Alignment Share awards by at least 50%. Furthermore, following the company's announcement on 23 March 2020 that the Board would not be proposing a final dividend in respect of 2019/2020, the dividend cover underpin would not be met and therefore the remaining 50% of the 2017 Alignment Share award will also lapse.

Karen Witts' unvested 2017 Alignment Share award was forfeited on leaving the company.

5. LTIP (audited information)

The final award granted under the LTIP was due to vest in April 2018 and lapsed in full, as disclosed in last year's report, and is therefore only captured in the single figure table as a legacy item.

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.

Name	Notional employer contribution rate into defined contribution pension scheme for which the individual is eligible	Member of the UK DC Scheme?	Cash allowance in lieu of employer contributions into DC Scheme?	Equivalent cash allowance rate as % of salary
Executive Director				
Thierry Garnier	14%	No	Yes, in full	12.5%
Bernard Bot	14%	No	Yes, in full	12.5%
Former 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 would have exhausted 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 the employer pension contribution into the defined contribution scheme. Accordingly, the cash alternative is 12.5% of salary other than for Karen Witts (17.5% of salary).

Pension benefits paid during the year

Name	Employer contributions into DC Scheme £'000	Cash alternative £'000	Total 2019/20 £'000	Total pension benefit as a % of base salary
Executive Director				
Thierry Garnier	n/a	34.9	34.9	12.5%
Bernard Bot	n/a	20.0	20.0	12.5%
Former Executive Directors				
Véronique Laury	n/a	64.8	64.8	12.5%
Karen Witts ¹	n/a	15.4	15.4	17.5%

1. Salary sacrifice member contributions into the Kingfisher defined contribution pension scheme were made by Karen Witts to the value of £1,667.

Payments to past Directors (audited information)

There were no payments to past Directors.

Payments for loss of office (audited information)

The details of Karen Witts and Véronique Laury's pay on departure is set out earlier in this remuneration report. Neither individual received any payments by way of compensation for loss of office.

Outside appointments for Executive Directors

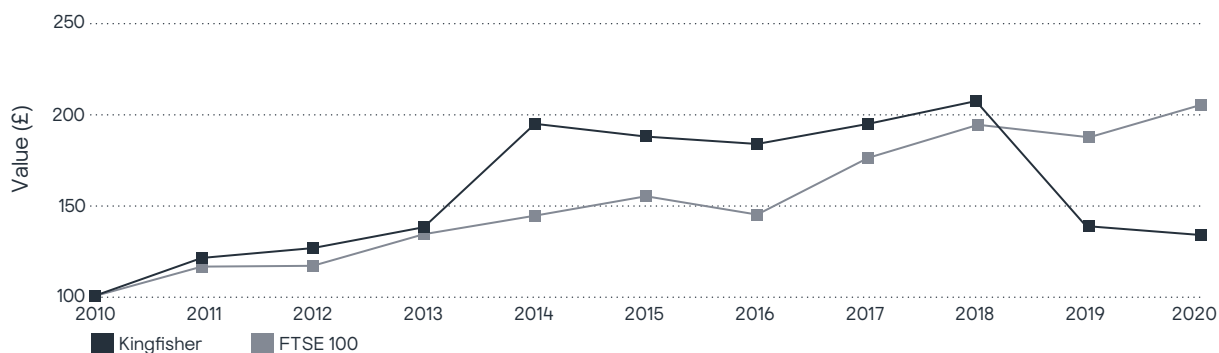
Subject to the rules governing conflicts of interest, Kingfisher is supportive of its Executive Directors holding one external non-executive position. The exercise of such roles can provide valuable insight for the Executive Directors, which can be of benefit to Kingfisher. Subject to the Committee's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

Bernard Bot is a non-executive director and member of the audit committee at A.P. Møller-Mærsk A/S. Bernard receives 1,250,000 DKK per annum for fulfilling this role. He retains these fees.

Up until her date of departure, Karen Witts was a non-executive director and audit committee chair at Imperial Brands plc. Karen received £109,000 per annum for fulfilling this role. She retained these fees.

Performance graph

The graph below shows Kingfisher's total shareholder return for the 10 years to 31 January 2020, which assumes that £100 was invested in Kingfisher on 1 February 2010. The company chose the FTSE 100 Index as an appropriate comparator for this graph, as Kingfisher has been a constituent of that index throughout the period.



Directors' remuneration report continued

CEO's remuneration over the last 10 years

The table below sets out the total remuneration of the holder of the office of CEO for the period from 1 February 2010 to 31 January 2020.

Year	CEO	Bonus % of maximum awarded ¹	Value of bonus awarded £'000	Original Alignment Share grant as a % of salary ²	Alignment Share % of maximum vesting ²	Value of shares vested £'000	Original LTIP grant level as a % of salary ³	LTIP % of maximum vesting	Value of vested shares £'000	CEO's single figure £'000
2010/11	Sir Ian Cheshire	83.8	1,367.6	–	–	–	200	100.0	2,819.7	5,350.8
2011/12	Sir Ian Cheshire	93.5	1,525.9	–	–	–	200	98.9	6,083.0	8,628.3
2012/13	Sir Ian Cheshire	30.8	502.7	–	–	–	200	50.0	1,157.6	2,817.2
2013/14	Sir Ian Cheshire	32.0	532.7	–	–	–	500	31.1	1,799.4	3,455.4
2014/15 ⁴	Sir Ian Cheshire/Véronique Laury	12.3	202.6	–	–	–	n/a	n/a	n/a	1,306.1
2015/16	Véronique Laury	69.1	967.4	–	–	–	n/a	n/a	n/a	1,983.0
2016/17	Véronique Laury	90.0	537.0	20 ⁵	100	151.1	200	24.5	100.1	1,715.1
2017/18	Véronique Laury	87.0	534.2	20 ⁵	100	156.9	200	0.0	0.0	1,582.6
2018/19 ⁷	Véronique Laury	82.0	522.0	50 ⁶	62.5	323.8	n/a	n/a	n/a	1,761.3
2019/20	Véronique Laury/Thierry Garnier	0	0	20 ⁶ / n/a	25.0 / n/a	136.2 / n/a	n/a	n/a	n/a	1,178.7

- The maximum bonus opportunity was 200% of base salary up to the end of the 2015/16 financial year. The maximum bonus opportunity from 2016/17 onwards was 80% of salary.
- New element of reward introduced under the Remuneration Policy approved by shareholders at the 2016 AGM.
- The original LTIP grant shows the award level at the point of grant, three years prior to the date the vesting percentage was determined.
- Sir Ian Cheshire stepped down as CEO on 8 December 2014, at which point Véronique Laury took over the position. Sir Ian Cheshire's remuneration in the table is from the start of the financial year up until 8 December 2014, and Véronique Laury's is from 8 December 2014 to the end of the financial year. The single total figure in the table above shows the combined total remuneration for both Sir Ian Cheshire and Véronique Laury.
- This represents 25% of the total Alignment Share award (equivalent to 80% of salary) granted in 2016 and 2017 respectively. This portion vested upon grant. The remaining 75% of this award (equivalent to 60% of salary) may vest three years after the date of grant, subject to performance against the underpin measures set out in the corresponding Remuneration Report.
- This represents 25% of the total Alignment Share award (equivalent to 80% of salary) granted in 2018 or 2019 (that vested upon grant) and 75% of the total Alignment Share award granted in 2016 (that partially vested in June 2019) or 2017 (will lapse in full) and which were subject to performance against the underpin measures set out in the corresponding Remuneration Report.
- Véronique Laury stepped down as CEO on 24 September 2019, at which point Thierry Garnier took over the position. Véronique's remuneration in the table is from the start of the financial year up until 24 September 2019, and Thierry's is from 25 September 2019 to the end of the financial year. The single total figure in the table above shows the combined total remuneration for both Véronique Laury and Thierry Garnier.

Change in the remuneration of the CEO

The table below shows how the percentage change in the aggregate of the current CEO and former CEO's salary, benefits and bonus between 2018/19 and 2019/20 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 CEO is based in the UK (albeit with a global role and responsibilities) and pay changes across Kingfisher vary widely depending on local market conditions. The increase in taxable benefits for the CEO reflects the inclusion of relocation benefits for the CEO in 2019/20.

	CEO		All UK Employees
	To 31 January 2020 £'000	Percentage change 2019/20 vs 2018/19	
Base salary	797.4	-0.2%	2.4%
Taxable benefits	145.4	619.6%	-2.1%
Annual Bonus	0	-100%	-24.8%

Relative importance of spend on pay

The table below shows the relative importance of spend on employee remuneration when compared with distributions to shareholders. There were no share buybacks undertaken during the year.

	2019/20 £m	2018/19 £m	Percentage change
Overall expenditure on pay	1,770	1,760	0.6%
Total dividends paid in the year	227	231	-1.8%

Pay ratio analysis

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019/20	Option B (i.e. 25th percentile, median and 75th percentile individual identified from our April 2019 gender pay gap analysis)	71:1	64:1	56:1
2018/19	Option B (i.e. 25th percentile, median and 75th percentile individual identified from our April 2018 gender pay gap analysis)	106:1	97:1	81:1

We have used Option B in the legislation to leverage the analysis completed as part of our UK gender pay gap reporting exercise. We have determined our 25th, median and 75th percentile individual using data from the respective 5 April snapshots. Whilst gender pay gap legislation and CEO pay ratio legislation employ different calculations, the three identified UK employees receive similar remuneration structures, and therefore we are confident that they also represent broadly the same respective percentiles when calculated using the single figure of total remuneration methodology required in the CEO pay ratio calculation. Where relevant, each employee's pay and benefits were calculated on a full-time equivalent basis, and no further adjustments were made. The values for total remuneration for the 25th, median and 75th percentile were £16.5k, £18.5k and £21.1k respectively comprising solely of salary. The year on year change is primarily due to the decision not to pay a bonus to Executive Directors in respect of 2019/20.

Executive Directors' shareholdings and share interests (audited information)

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

The table below sets out the beneficial interests of the Executive Directors (or any connected persons) in the ordinary shares of the company and a summary of the outstanding share awards as at 31 January 2020 (or for Véronique Laury and Karen Witts as at 24 September 2019 and 21 March 2019, respectively). Calculations are based on a share price of 204 pence per share (being the closing price of a Kingfisher share on 31 January 2020).

Name	Shares held		Awards over nil-cost options				
	31 Jan 20	31 Jan 19	Vested but not exercised ^{1,2}	Unvested and subject to continued employment ³	Unvested and subject to performance conditions and continued employment ⁴	Shareholding requirement (% of base salary)	Shareholding 31 Jan 20 (% of base salary) ⁵
Executive Director							
Thierry Garnier ⁶	60,000	n/a	–	–	3,398,491	350%	15%
Bernard Bot ⁶	50,000	n/a	–	–	1,802,851	250%	18%
Former Executive Directors							
Véronique Laury ⁶	227,655	227,655	496,450	13,479	2,747,633	350%	125%
Karen Witts ⁶	245,059	244,932	117,460	9,730	–	250%	102%

- 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).
- These awards include the immediate vest element of the Alignment Share awards granted to both Véronique Laury and Karen Witts in 2016, 2017, 2018, and to Véronique in 2019. These also include nil-cost options granted to Véronique Laury under the 2014 LTIP and the 2015 and 2016 awards under the Kingfisher Incentive Share Plan (KISP) and the 2016 performance based Alignment Share award.
- These awards include options granted to Véronique Laury and Karen Witts under a HMRC-approved Sharesave plan which are not in the form of nil-cost options.
- These awards include nil-cost options granted to Véronique Laury in respect of the 2017, 2018, and 2019 Alignment Share awards (excluding those which vested immediately upon grant) and the 2016 Transformation Incentive award. These also include nil-cost options to Thierry Garnier and Bernard Bot in respect of the 2019 Alignment Share Award and the 2019 Delivering Value Incentive Award.
- Between 1 February 2020 and the date of this report there were no changes in the beneficial interests of the Executive Directors' shareholdings.
- As potential beneficiaries of the Kingfisher Employee Benefit Trust (the 'Trust'), Thierry Garnier, Bernard Bot, Véronique Laury and Karen Witts are deemed to have an interest in the company's ordinary shares held by the Trust. The Trust held 7,646,280 ordinary shares at 31 January 2020.

Directors' remuneration report continued

Share awards made during the financial year (audited information)

Options and awards over shares were made during the year ended 31 January 2020 under the Kingfisher Alignment Share and Transformation Incentive Plan (KASTIP) in respect of the 2019/20 Alignment Share award and Delivering Value Incentive award.

1. 2019/20 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
Former Executive Director					
Véronique Laury	30 Jul 19	61,114	136.2	30 Jul 19	30 Jun 29

- Alignment share awards are normally made in April, however awards for the Group Executive in 2019 were delayed to allow shareholders to formally approve the 2019 Policy. The award value was based on 20% of base salary at the normal 24 April 2019 date of grant.
- The awards were made under the KASTIP and the value of the award is based on the closing share price as at the date of vesting of 222.9 pence per share.
- The awards are structured as nil-cost options and have an exercise period of 10 years less one month.

(ii) Vesting subject to performance conditions

Name	Date of grant ¹	Number of shares	Face value of award ² £'000	End of performance period ³	Final exercise date ⁴
Thierry Garner	21 Oct 19	295,521	636.6	31 Jan 22	30 Jun 29
Bernard Bot	21 Oct 19	106,860	230.2	31 Jan 22	30 Jun 29
Former Executive Director					
Véronique Laury	30 Jul 19	183,342	408.7	31 Jan 22	30 Jun 29

- Vesting date of 30 July 2022.
- The number of shares, at the time of grant, was based on 80%, 41% and 60% of base salary and the three-day average closing share price preceding the date of grant for Thierry Garner, Bernard Bot and the normal 24 April 2019 date of grant for Véronique Laury, respectively. The awards were made under the KASTIP and the value above is based on the closing share price as at the date of grant, of 215.4 and 222.9 pence per share for 21 October 2019 and 30 July 2019, respectively.
- The shares will vest subject to performance against the underpin conditions over the period to the end of 2021/22 financial year.
- The awards are structured as nil-cost options and have an exercise period of 10 years less one month.

The performance conditions attached to the 2019 Alignment Share award, including adjustments to account for the implementation of the IFRS 16 accounting standard changes, are as follows.

- maintenance of the dividend subject to dividend cover being above 1.75 times; and
- maintenance of ratio of net debt to EBITDA below 2.5 times.

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

The Committee reviewed the underpins in the context of the implementation of IFRS 16 and were comfortable that the existing targets remain appropriate given the relatively low impact on the respective measures, and based on current market expectations for net debt to EBITDA ratios. However, the Committee will continue to assess the net debt to EBITDA underpin on both an IFRS 16 and IAS 17 basis until credit rating agencies update their approach for IFRS 16.

2. 2019 Delivering Value Incentive award

In line with the Policy, the Committee approved the following grants under the Delivering Value Incentive:

Executive Directors	Date of grant ¹	Number of shares	Face value of award ² £'000	Initial performance period end	End of performance period	Final exercise date
Thierry Garnier	21 Oct 19	2,807,449	6,047.2	31 Jan 22	31 Jan 24	30 Jun 29
Thierry Garnier (recruitment)	21 Oct 19	295,521	636.6	31 Jan 22	31 Jan 24	30 Jun 29
Bernard Bot	21 Oct 19	1,695,991	3,653.2	31 Jan 22	31 Jan 24	30 Jun 29

- The number of shares above was based on the three-day average closing share price preceding the date of grant of 216.6 pence per share.
- The face value of the award is based on the spot closing share price as at the date of grant of 215.4 pence per share.

The figures reflect the maximum value of shares that could vest, i.e. four times target. The number of shares which shall vest will be amended based on the level of performance against targets.

The performance measures attached to the awards have been chosen to balance growth and returns and ensure sustainable delivery of performance. Threshold vesting is 0% of maximum for the EPS and ROCE elements and 25% of maximum for the relative TSR element. Performance will be measured within a five-year time horizon of the award over two periods, each applying to one half of the total award (i) 1 February 2019 to 31 January 2022 and (ii) 1 February 2021 to 31 January 2024, to better align with the phasing of the company's strategy.

Details of the targets for the period from 1 February 2019 to 31 January 2022, applying to 50% of the total award and taking into account the implementation of the IFRS 16 accounting standard changes, are set out below. The Committee reviewed the impact of the IFRS 16 accounting standard changes and believe that the existing targets remain appropriate given the materiality of the impact on forecast EPS and ROCE in 2021/22. Payments occur on a straight-line basis between each of the performance points.

Delivering Value Incentive Multiple	EPS Growth (per annum) (one-third weighting)	2021/22 ROCE (one-third weighting)	TSR percentile vs. relative TSR peer group (one-third weighting)
Zero	4.0%	10.5%	n/a
1x Target	5.0%	11.0%	50th
2x Target	8.0%	11.5%	60th
3x Target	11.5%	12.5%	70th
4x Target	15.0%	13.5%	80th

The EPS measure uses adjusted EPS and growth is measured relative to a 2018/19 EPS figure of 19.8 pence per share. In setting the targets the Committee referred to EPS ranges in the FTSE 100 and EPS consensus estimates for Kingfisher. The proposed target is more challenging than FTSE and retail sector norms, and delivery of maximum performance would deliver growth well above the upper quartile of the market expectations for our European retail peer group.

The Committee will consult with shareholders during 2020/21 on the performance measures and targets to apply on the second half of the award from 1 February 2021 to 31 January 2024.

Scheme interests exercised during the financial year (audited information)

No awards were exercised by Executive Directors during the year.

Dilution limits

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

Only those awards granted under the Kingfisher Sharesave plan are satisfied by newly issued shares.

Any awards which are satisfied by market-purchased shares are excluded from these calculations, including all awards made under the Kingfisher Alignment Share and Transformation Incentive Plan.

No treasury shares were held or utilised in the year ended 31 January 2020.

Directors' remuneration report continued

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 2020 and the comparative figures for the year ended 31 January 2019. During the year, no payments were made to non-executive directors for expenses other than those incurred in the ordinary course of their appointments.

Name	Additional responsibilities	Committee membership ¹	Fees 2019/20 £'000	Fees 2018/19 £'000	Taxable benefits 2019/20 £'000	Taxable benefits 2018/19 £'000	Total 2019/20 £'000	Total 2018/19 £'000
Andrew Cosslett ²	Chairman, Nomination Committee Chairman	R, N	495.0	495.0	1.1 ³	1.1	496.1	496.1
Claudia Arney ⁴		R, N	65.0	16.3	–	–	65.0	16.3
Jeff Carr	Audit Committee Chairman	A, N, R	85.0	56.7	–	–	85.0	56.7
Sophie Gasperment	Responsible Business Committee Chairman	N, RB	65.0	10.8	–	–	65.0	10.8
Rakhi Goss-Custard		A, R, N, RB	65.0	65.0	–	–	65.0	65.0
Mark Seligman	Senior Independent Director	A, R, N	85.0	85.0	–	–	85.0	85.0
Former Directors								
Pascal Cagni ⁵		N	48.8	65.0	–	–	48.8	65.0
Clare Chapman ⁶	Remuneration Committee Chairman	R, N	85.0	85.0	–	–	85.0	85.0
Anders Dahlvig ⁷		A, N	32.5	65.0	–	–	32.5	65.0
Total			1,026.3	1,055.0	1.1	1.1	1,027.4	1,056.1

- Indicates which Directors served on each committee during the year: Audit Committee = A; Nomination Committee = N; Remuneration Committee = R; Responsible Business Committee = RB.
- For his role as Chairman, Andrew Cosslett receives a fee of £450,000 per annum. The fees paid to Andrew include a contribution of £45,000 towards the costs of an assistant.
- These relate to private medical cover for Andrew Cosslett and his family.
- Claudia Arney was appointed as Chairman of the Remuneration Committee on 21 January 2020.
- Pascal Cagni stepped down from the Board on 23 October 2019.
- Clare Chapman stepped down from the Board on 21 January 2020.
- Anders Dahlvig stepped down from the Board on 12 June 2019.

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 2019/20 and 2018/19 are shown below. No benefits are provided except for a store discount card of up to 20%.

	Fees £'000		% increase
	As at 1 February 2019	As at 1 February 2018	
Chairman ¹	495.0	495.0	n/a
Non-executive director fee	65.0	65.0	n/a
Senior Independent Director	20.0	20.0	n/a
Audit Committee Chairman	20.0	20.0	n/a
Remuneration Committee Chairman	20.0	20.0	n/a

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

Non-executive directors' shareholdings (audited information)

The table below sets out the current shareholdings of the non-executive directors (including beneficial interests) as at 31 January 2020. 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 2020 ¹	Number of shares held outright as at 31 January 2019
Andrew Cosslett	290,866	146,505
Claudia Arney	27,460	27,460
Jeff Carr	10,000	–
Sophie Gasperment	10,000	–
Rakhi Goss-Custard ²	6,124	6,124
Mark Seligman ³	25,000	15,000
Former Directors⁴		
Pascal Cagni	30,570	30,570
Clare Chapman	6,990	6,990
Anders Dahlvig	75,000	75,000

1. There have been no changes to the beneficial interests of the non-executive directors between 1 February 2020 and 16 June 2020.

2. Rakhi Goss-Custard holds her interest in these shares through her spouse.

3. Mark Seligman holds his interest in these shares through his spouse and through M Seligman & Co Limited, a company owned jointly by Mark and his spouse.

4. Shares held at date of stepping down from the Board.

Directors' remuneration report continued

Statement on the implementation of the Remuneration Policy for 2020/21

Implementation of the Remuneration Policy for Executive Directors for the year ahead

Base salary	Will be implemented in line with the Policy. No increase is to be applied to the Executive Directors for April 2020.
Benefits	Will be implemented in line with the Policy.
Pension	Will be implemented in line with the Policy.
Annual Bonus	<p>Will be awarded in line with the Policy.</p> <p>The Annual Bonus will have a maximum opportunity of 80% of salary and will be judged based on the achievement of a number of strategic measures critical to the delivery of strategy, with an increased focus on financial and output measures, as set out below:</p> <ul style="list-style-type: none"> – Like-for-like sales growth – Free cash flow – Customer Net Promoter Score – “Own brand” sales penetration – Digital sales growth – ESG measures covering inclusivity, carbon emission, product sustainability, community and development of products that promote more sustainable homes <p>A holistic assessment of 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 2020/21 are commercially sensitive as they closely align with annual business priorities and accordingly are not disclosed. These will be disclosed in the 2020/21 Annual Report and Accounts.</p>
Alignment Shares	<p>Will be awarded in line with the Policy.</p> <p>The Committee recognised the strong personal performance of the CEO and CFO since appointment and therefore the Committee intends to make Alignment Share awards at the level of 80% of salary in line with the Policy. To take account of current market volatility at the point of finalising this report, the Committee will continue to assess the share price up until the point of grant. However, given the need to incentivise the new management team, the Committee will only make adjustments to the grant level if deemed appropriate. In coming to this decision, the Committee has taken into account the fact that the current Executive Directors will receive no bonus for 2019/20 due in large part to legacy factors and market developments beyond their direct control.</p> <p>A summary of the personal performance for each Executive Director is set out below:</p> <ul style="list-style-type: none"> – Thierry Garnier has taken a firm grip of the business and has quickly built out his leadership team with a balanced combination of internal and external appointments and has stabilised and strengthened the business as a result. He has completed a detailed first assessment of the business and engaged the Board in high-quality discussion around both immediate and longer-term challenges and the strategic options available. He has moved early to address flaws in the prevailing operating model and these steps, and his engagement with the wider business, have had an immediate impact both on colleague morale and business performance. – Bernard Bot has already achieved an impressive grasp of the business detail and demonstrated a sharp eye for where performance and internal controls can be strengthened, dealing with a number of complex issues since arriving including developing a new three-year plan and budget, and working closely with colleagues to improve the quality of Board information and strengthen the fundamentals of our planning and reporting. <p>The underpin conditions for the Alignment Share awards relate to maintaining the underlying health of the business over the course of the vesting period, to the end of 2022/23. The underpin conditions for the 2020/21 awards, which will apply throughout the duration of the three-year vesting period, are:</p> <ul style="list-style-type: none"> – maintenance of the 2019/20 dividend subject to dividend cover being above 1.75 times; and – maintenance of the ratio of net debt to EBITDA below 2.5 times. <p>If one underpin condition is not met, then up to 50% of the unvested shares will lapse. If both are not met, then up to 100% of the unvested award will lapse. The Committee would determine the appropriate deduction considering business performance. Performance against the underpin will be considered annually and any reduction will apply to the award next due to vest.</p> <p>In the event that the net debt to EBITDA 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.</p>
Delivering Value Incentive	No awards will be made during the year.

Implementation of the Remuneration Policy for non-executive directors for the year ahead

Fees £'000	As at 1 February 2020	As at 1 February 2019	% increase
Chairman ¹	495.0	495.0	n/a
Non-executive director fee	65.0	65.0	n/a
Senior Independent Director fee	20.0	20.0	n/a
Audit Committee Chairman	20.0	20.0	n/a
Remuneration Committee Chairman	20.0	20.0	n/a

1. Part of the Chairman's fee relates to a contribution to the cost of his assistant of £45,000 per annum. He additionally receives private medical insurance for himself and his family.

Service contracts/letters of appointment

	Date of service contract/letter of appointment	Expiry of current term	Length of service at 31 January 2020
Andrew Cosslett ¹	01 Apr 17	31 Mar 20	3 years
Claudia Arney	01 Nov 18	31 Oct 21	1 year
Bernard Bot	21 Oct 19	12 months rolling	<1 year
Jeff Carr	01 Jun 18	31 May 21	1 year
Thierry Garnier	25 Sep 19	12 months rolling	<1 year
Sophie Gasperment	01 Dec 18	30 Nov 21	1 year
Rakhi Goss-Custard	01 Feb 16	31 Jan 22	4 years
Mark Seligman	01 Jan 12	31 Dec 20	8 years

1. At the Nomination Committee meeting in January 2020, the Committee extended Andrew Cosslett's term for a further three years; it will expire on 31 March 2023. Andrew Cosslett absented himself from this item of the meeting.

Claudia Arney

Chairman of the Remuneration Committee

16 June 2020

Directors' report

This report sets out the information the company and the Group are required to disclose in the Directors' Report in compliance with the Companies Act 2006 (the Act), the Financial Conduct Authority's Listing Rules (Listing Rules), the Disclosure and Transparency Rules (DTRs), and the 2018 UK Corporate Governance Code (the Code). This report should be read in conjunction with the Strategic report on pages 1 to 47 and the Corporate Governance report on pages 48 to 93. Together, the Strategic report, this Directors' report, and other sections of the Corporate Governance report incorporated by reference, when taken as a whole, form the Management Report as required under Rule 4.1.5R of the DTRs.

The table below sets out the location of applicable disclosures incorporated into the Directors' report, by reference. The majority of the disclosures required under Listing Rule 9.8.4 R are not applicable to the Group. The table below includes the location of the disclosures for those requirements that do apply:

Disclosure	page
Allotment of equity securities (LR9.8.4 R)	96
Annual General Meeting (AGM)	179
Corporate Governance Report, including reports from Board committees	48–93
Directors' interests	78–91
Directors' statement of responsibility	97
Diversity and inclusion	21
Employee share schemes	155–156 note 30
Equal opportunities	21
Financial instruments and financial risk management	147–149 note 24
Financial review (LR9.8.4 R)	28–35
Future developments	5–10
Going concern and viability statement	46–47
Governance and risk management for climate change	24
Interest capitalised by the Group (LR9.8.4 R)	131 note 6
Important events since the end of the financial year	11, 47, 163 note 38
Key performance indicators	2
People and development	20–21
Risk management and internal control	36–45
Statement on engagement with employees	56
Statement on engagement with external stakeholders	56–57

Articles of Association (Articles)

The Articles of the company may only be amended by a special resolution at a meeting of the shareholders. The Articles are available on the website.

Branches

The Kingfisher Group, through various subsidiaries, has established branches in a number of different countries in which the business operates.

Directors

The Board and their biographical details are set out on pages 48 to 49. Directors are appointed in accordance with the Articles, the Act, and the Code. During the year the following changes were made to the Board:

Karen Witts	Chief Financial Officer (resigned 21 March 2019)
Anders Dahlvig	Non-Executive Director (retired 12 June 2019)
Véronique Laury	Chief Executive Officer (resigned 24 September 2019)
Thierry Garnier	Chief Executive Officer (appointed 25 September 2019)
Bernard Bot	Chief Financial Officer (appointed 21 October 2019)
Pascal Cagni	Non-Executive Director (retired 23 October 2019)
Clare Chapman	Non-Executive Director (retired 21 January 2020)

Directors' indemnity arrangements

The Directors who served on the Board during the year have been granted a qualifying third-party indemnity, under the Act, which remains in force. The Group also maintains Directors' and Officers' liability insurance in respect of itself and its Directors and officers, and the directors of the Group's subsidiary companies. Neither the company's indemnity nor insurance provides cover in the event that an indemnified individual is proved to have acted fraudulently or dishonestly.

Directors' powers

Subject to provisions of the Act, the Articles, and to any directions given by special resolution, the business of the company shall be managed by the Board, which may exercise all the powers of the company.

Borrowing powers

The Directors may exercise all the powers of the company to borrow money.

Pre-emptive rights, new issues and share buybacks

The Directors were authorised by shareholders at the 2019 AGM to allot shares, as permitted by the company's Articles. During the year, 14,018 shares were issued under the terms of the Sharesave plan at prices between 206.0 and 306.0 pence per share.

Shareholders also approved a resolution for the company to make purchases of its own shares up to a maximum of 10% of its issued share capital, as permitted under the Articles. As at 16 June 2020 the Directors had not used this authority.

These resolutions were in line with guidance issued by the Investment Association and remain in force until the conclusion of the 2020 AGM. The company will seek to renew these standard authorities at the 2020 AGM.

Conflicts of interest

The company has robust procedures in place to identify, authorise and manage potential or actual conflicts of interest, and these procedures have operated effectively during the year. Where potential conflicts arise, they are reviewed, and if appropriate, approved by the Board. Processes for managing such conflicts are put in place to ensure no conflicted Director is involved in any decision related to their conflict. Directors' other key appointments are set out in the Directors' biographies on pages 48 to 49.

Dividends

The interim dividend of 3.33 pence per ordinary share was paid on 8 November 2019. In light of the unprecedented uncertainty caused by Covid-19, the Board will not propose a final dividend in relation to 2019/20. The Board recognises the importance of dividends to shareholders and intends to consider the appropriateness, quantum and timing of future dividend payments when it has a clearer view of the scale and duration of the impact of Covid-19 on the business.

The Kingfisher Employee Benefit Trust, Wealth Nominees Limited, (the Trust) waived the following dividends payable by the company in respect of the ordinary shares it held:

Dividend	Number of shares waived (% of holding)	Total value of dividends waived (£)
Final 2018/19 (paid July 2019)	10,287,170 (100%)	770,509.04
Interim 2019/20 (paid November 2019)	8,253,548 (100%)	274,843.15
Total for year to 31 January 2020		1,045,352.19

Major shareholdings

The company had been notified under Rule 5 of the DTRs of the following interests in voting rights in its shares as at 31 January 2020 or the date of this report where indicated. 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.

Dividend	Number of ordinary shares held	% of total voting rights
BlackRock, Inc. ^{1,2}	135,395,563	6.42
Jupiter Asset Management	106,105,580	5.03
Silchester International Investors	105,734,349	5.01
Mondrian Investment Partners Limited	112,274,595	5.00
Templeton Global Advisors Limited ³	104,803,951	4.97
Norges Bank Investment Management	67,516,367	3.20

1. Part of the shares held by BlackRock, Inc. are in the form of American Depositary Receipts (ADRs).

2. BlackRock, Inc. holding as at 12 May 2020.

3. Templeton Global Advisors Limited holding as at 20 April 2020.

Political donations

The company made no political donations during the year (2018/19: £nil) and does not intend to make any political donations in the future.

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

Research and development

The company undertakes research and development activities in order to develop its digital capability and products. More information is available on pages 5 to 10 of the Strategic report.

Directors' report continued

Share capital

The share capital of the company comprises ordinary shares of 15^{5/7} pence per share. All of the company's issued shares are fully paid up and each share carries the right to one vote at general meetings of the company. The authorised and issued share capital of the company, together with movements in the company's issued share capital during the year, are shown in note 28 to the financial statements on page 154. The Articles contain provisions governing the ownership and transfer of shares.

The holders of ordinary shares are entitled to receive the company's Annual Report and Accounts, to attend and 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 voting rights or to prohibit their transfer following the omission of their holder or any person interested in them to provide the company with information requested by it in accordance with Part 22 of the Act, or (ii) where their holder is precluded from exercising voting rights by the Listing Rules or the City Code on Takeovers and Mergers.

The company has a Sponsored Level 1 American Depository Receipt programme in the United States.

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 £550 million credit facility dated 10 August 2018 (amending the credit facility originally 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 its 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 £50 million term loan agreement dated 13 December 2018, which contains a provision such that in the event of a change of control, the bank may cancel its commitment whereupon all outstanding loans together with accrued interest will become immediately due and payable; and
- the €50 million credit facility agreement dated 21 September 2018, which contains a provision such that in the event of a change of control, the bank may cancel its commitment whereupon all outstanding loans together with accrued interest will become immediately due and payable.

There are no agreements in place with any Director or officer that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the company's share incentive schemes may cause options and awards granted under such schemes to vest on a takeover.

Disclosure of information to 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 Act) of which the company's auditor is unaware; and
- each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

By order of the Board

Paul Moore
Company Secretary

16 June 2020

Directors' Statement of Responsibility

Responsibility for preparing financial statements

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

United Kingdom company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the group financial statements in accordance with International 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 company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

In preparing the Group financial statements in accordance with IAS 1, 'Presentation of financial statements', the Directors are required to:

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

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

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

Responsibility statement

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company and the undertakings included in the consolidation taken as a whole;
- the Strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face; 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 position and performance, business model and strategy.

By order of the Board

Paul Moore
Company Secretary

16 June 2020

Independent auditor's report to the members of Kingfisher plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Kingfisher plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company balance sheets;
- the consolidated cash flow statement; and
- the related notes 1 to 38 to the group financial statements and notes 1 to 17 to the parent company financial statements.

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

2. Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group for the year are disclosed in note 7 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

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

3. Summary of our audit approach

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> – going concern; – inventory valuation; – impairment of store-based assets: B&Q, France and Romania; – impairment of goodwill: Romania CGU grouping; – taxation matters: transfer pricing; – classification and presentation of exceptional items; and – IFRS 16 'Leases' valuation: discount rates on transition.
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Changes to our key audit matters are detailed below.

Materiality	<p>The materiality that we used for the Group financial statements was £27 million (2018/19: £28 million), representing 5% (2018/19: 5%) of profit before tax and exceptional items.</p>
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We excluded exceptional items when determining the basis for materiality because the items, primarily relating to impairments of assets, do not form part of the underlying trading performance of the Group.

Scoping	<p>We focused our Group audit scope on all significant trading entities and the Group's head office and support functions. These accounted for 99% (2018/19: 99%) of the Group's revenue, 95% (2018/19: 100%) of the Group's profit before tax and 99% (2018/19: 97%) of the Group's net assets.</p>
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Significant changes in our approach	<p>Due to the on-going Covid-19 pandemic, the amount of revenue earned in the group's key markets, the United Kingdom and France, significantly decreased as described in note 3. This led to additional scenario planning to underpin management's going concern assessment and the level of audit effort, judgement and complexity in the area of going concern significantly increased. Due to these circumstances we have identified the going concern assumption applied to the financial statements as a key audit matter.</p>
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In the prior year our key audit matters in respect of impairment of store-based assets and impairment of goodwill were focused on France because of recent poor trading performance. In the current year, we have noted a decline or slowing of growth in trading performance across B&Q, France and Romania. As a result, in the current year our key audit matter in respect of impairment of store-based assets has been expanded to focus on stores in B&Q and Romania as well as France and our key audit matter in respect of impairment of goodwill focusses on the Romania CGU grouping, rather than France as in FY19. These assets are also impacted by the Covid-19 pandemic which has been identified as a non-adjusting post balance sheet event.

In the prior year we identified a key audit matter in respect of the disclosures made for IFRS 16 'Leases'. The Group have now adopted IFRS 16 and therefore our key audit matter has changed to the valuation of the IFRS 16 lease liabilities at transition, specifically focused on the determination of the discount rates.

Recognition of supplier rebates was not identified as a key audit matter in the current year because the Group has reduced the number of rebate arrangements into which it enters in favour of net pricing arrangements. This has significantly reduced the level of audit effort, judgement and complexity in this area.

4. Conclusions relating to going concern, principal risks and viability statement

4.1. Going concern

We have reviewed the Directors' statement in note 3 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 and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the group, its business model and related risks, including where relevant the impact of Brexit and the Covid-19 pandemic, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

Further detail of work performed on the going concern assessment is included in the Key Audit Matter below.

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

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

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

4.2. Principal risks and viability statement

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

- the disclosures on pages 36 to 45 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the directors' confirmation on page 36 that they have carried out a robust assessment of the principal and emerging risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; 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 are also required to report whether the directors' statement relating to the prospects of the group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Viability means the ability of the group to continue over the time horizon considered appropriate by the directors.

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

Independent auditor's report to the members of Kingfisher plc continued

5. Key audit matters

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

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

5.1. Going Concern

Key audit matter description	
	<p>In assessing whether the financial statements should be prepared on the going concern basis, the Directors are required to consider all available information about the future for a period of 12 months from the date of approval of the financial statements. In conducting their assessment, the Directors have concluded that there are no material uncertainties which may cast significant doubt over the group's or parent company's ability to continue as a going concern over this 12 month period.</p> <p>At 31 January 2020, the group had committed facilities available of £775 million, consisting of two revolving credit facilities ('RCF') (£225 million expiring in March 2022 and £550 million expiring in August 2022). As at 31 January these were undrawn. These facilities contain covenants which require the group to maintain specific financial ratios. In addition, at 31 January the group held cash and cash equivalents of £195 million.</p> <p>As described on page 11 the impact of the Covid-19 pandemic has been significant. From 15 March 2020, a number of stores in the group's key territories were closed, reconfigured and reopened based on the restrictions and guidelines enacted by the national Governments in each of the group's territories. Throughout April the stores began to progressively reopen and, as at 16 June 2020, the majority of the group's stores were open and either operating a 'click & collect' service or operating through the implementation of social distancing measures.</p> <p>The Directors have updated their forecasts to take into account the impact on trading performance, cash and liquidity from the implementation of these measures, including the potentially significant loss of revenue arising from them.</p> <p>In responding to the challenges from Covid-19 the group has obtained additional financing. The revolving credit facility was extended by £250 million, bringing the total available facility to £1,025 million. The group also obtained support from the French and UK Governments totalling £1,135 million through the Prêt Garanti par l'Etat ('PGE') and Covid Corporate Financing Facility ('CCFF') programmes. As at 16 June 2020 the group has total committed facilities of £2,160 million.</p> <p>As at the date of this report, the worldwide implications of the Covid-19 pandemic are evolving and therefore judgements about future potential financial impacts are inherently significantly uncertain. In particular, there is significant judgement in the Directors' assessment of:</p> <ul style="list-style-type: none">– the severity of the reductions in cash inflows;– the length of time over which the impacts might be felt;– the availability of mitigating actions to preserve profitability and cash; and– the availability of additional sources of finance should that be required. <p>As at the date of this report, the global outlook as a result of Covid-19 is significantly uncertain and the range of potential outcomes is wide-ranging and unknown. In particular, should the impacts of the pandemic on trading conditions be more prolonged or severe than those currently considered by the Directors, the group would need to implement additional operational or financial measures. As detailed on page 127, examples of such measures include further cost and financing mitigations including the negotiation of a waiver or the relaxation of financial covenants associated with the RCF.</p> <p>The Directors have considered a range of scenarios in assessing the impact of Covid-19. These include a reduction in group revenue of approximately £1 billion over the year to 30 June 2021 when compared to the original budget for 2020/21 over the 12 month going concern period. The Directors have also modelled a set of assumptions that would need to occur for the group to require sources of financing in addition to those currently guaranteed (known as the 'reverse stress test'). These assumptions primarily impact revenue earned throughout the group by extending the length of time during which strict social distancing measures would be in place and increasing the size of the sales decrease compared to the original budget. The decline in group revenue in this scenario would be approximately £4 billion over the 12 month going concern period when compared to the original 2020/21 budget. When considering these assumptions the Directors determine that the probability of them occurring is remote. Full details of the scenarios applied by the Directors are set out in detail on page 126.</p> <p>As a result of the impact of Covid-19 on the group and the uncertainties regarding liquidity, we identified a key audit matter related to going concern due to the significant judgement required to conclude that there is not a material uncertainty. Further details of the judgements considered are included in note 3 of the financial statements and as part of the Audit Committee disclosure of significant items on page 64.</p>

How the scope of our audit responded to the key audit matter	<p>We performed the following audit procedures which consider the impact of the uncertainty of the Covid-19 pandemic and going concern assessment performed:</p> <ul style="list-style-type: none"> – we obtained an understanding of the key controls relating to the group’s forecasting process; – tested the clerical accuracy of the model used to prepare the group’s forecast; – challenged the key assumptions underpinning the group’s forecasts, in particular the Directors’ assessment of the financial impacts of Covid-19 on forecast consumer behaviour and the group’s trading performance, by comparing the Directors’ assessment of the impact of Covid-19 in other affected markets, those markets where the group has already experienced government restrictions and wider performance to date across the group; – considered the group’s residual forecast revenues from ‘click & collect’ services and store sales to historical experience in the relevant trading components of the group throughout the period impacted by restrictions imposed due to Covid-19; – assessed the impact of reasonably possible downside scenarios on the group’s funding position, including requesting the Directors to perform additional sensitivity analysis to reflect a more severe or prolonged period of uncertainty. This included an assessment of the likelihood of the ‘reverse stress test’ scenario; – with assistance from our debt advisory specialists, obtained key loan and other financing documentation and we identified the principal terms in order to determine whether these sources of finance are committed. We also identified related financial covenants which we considered as part of management’s assessment of the going concern assumption. We validated that the facilities have been drawn down following the year end where applicable; – assessed the mitigating actions available to management, in consultation with industry specialists, comparing the actions proposed by management to our experience of other similar businesses. We also considered which mitigating actions were within the control of the Directors and which are dependent on third parties or other future actions; and – assessed the sufficiency of the group’s disclosure concerning the going concern basis and uncertainties arising.
Key observations	<p>The Directors’ forecasts, reasonably possible downside scenarios and the reverse stress test, indicate that the group has sufficient financial resources over the going concern period.</p> <p>We are satisfied that the Directors’ conclusion that there are no material uncertainties over the group and parent company’s ability to continue as a going concern is appropriate and the associated disclosures are in accordance with the accounting standards.</p> <p>We reviewed the disclosures prepared by the Directors set out on page 125 and consider them to be appropriate.</p>
5.2. Inventory valuation	
Key audit matter description	<p>As at 31 January 2020, the value of inventory held by the Group was £2,485 million (31 January 2019: £2,574 million) as disclosed in note 18 to the financial statements.</p> <p>Assessing the valuation of inventory requires significant judgement in estimating the eventual selling price of items held, as well as assessing which items may be slow-moving or obsolete. As detailed in the Strategic Report, there has been continued rationalisation of the stock keeping units offered across the group.</p> <p>This adds additional complexity to assessing the level of inventory that may become obsolete and the expected net realisable value (NRV) of inventory which will be sold. Further, given there has been clearance activity over recent years as the Group has unified its ranges, this can impact the eventual selling price and hence the net realisable value of inventory, which ultimately influences the level of provisions recorded.</p> <p>The Group’s principal accounting policy on inventory is on page 121 and the sources of estimation uncertainty for inventory are on page 124.</p> <p>Judgement relating to inventory and stock provisioning policy is a significant issue considered by the Audit Committee, as discussed on page 65.</p> <p>Given the level of judgement applied we consider this to be a possible risk of fraud, specifically in relation to considering the ongoing appropriateness of the Group’s policy in the context of inventory rationalisation and clearance activities taking place across the Group’s operating units.</p>

Independent auditor's report to the members of Kingfisher plc continued

5.2 Inventory valuation continued

How the scope of our audit responded to the key audit matter	<p>Our audit focused on whether the valuation of year-end inventory was in accordance with IAS 2 'Inventories'. This included challenging the judgements taken regarding the recording of obsolescence and NRV provisions. We obtained assurance over the appropriateness of management's assumptions applied in calculating the value of inventory provisions by:</p> <ul style="list-style-type: none">– we obtained an understanding of the relevant controls over inventory provisioning and, in certain components, testing these controls;– reviewing the cost of clearance for Unified ranges that have been implemented to date and understanding how this impacted the year end provision;– critically assessing the Group's inventory provisioning policy, with specific consideration given to the movements in inventory and expected clearance activity;– verifying the existence and condition of inventory by attending a sample of inventory counts throughout the year across all full scope audits, including those at 16 distribution centres and 61 retail stores;– checking the value of a sample of inventory to determine whether it is held at the lower of cost and NRV through comparison to vendor invoices and current sales prices; and– re-computing the provisions recorded to verify that they are recorded in line with the Group's policy and IAS 2. This was done in conjunction with IT specialists for those components where the provision is automatically calculated.
Key observations	<p>The results of our audit work were satisfactory and we concur that the level of inventory provisions is materially correct.</p>

5.3. Impairment of store-based assets: B&Q, France and Romania

Key audit matter description	<p>At 31 January 2020, property, plant and equipment totalled £2,988 million (31 January 2019: £3,302 million) and property right-of-use assets totalled £1,916 million (31 January 2019: £2,017 million), as disclosed in notes 14 and 15 to the financial statements.</p> <p>Exceptional store asset impairments totalling £139 million (excluding Russian store assets and £18 million of goodwill impairment in Romania), as disclosed in note 5, have been recognised following declining trading performance and the implementation of store closure programmes.</p> <p>In the course of performing our audit planning procedures, we identified a decline in trading performance against the prior year or current year budget in the B&Q, France and Romania trading entities. In combination with the significant impairment in the year, we expanded our key audit matter to include B&Q and Romania as well as France.</p> <p>Impairment of store-based assets is primarily evaluated with reference to the value in use of stores, which is calculated as the net present value of future cash flows. The Group also uses vacant possession valuations to approximate fair value less costs to sell when considering the recoverable amount of freehold and certain long leasehold stores.</p> <p>There are several judgements in assessing value in use that are set out below. We note that cash flow forecasting, impairment modelling and assessing property values are all inherently judgemental. The key assumptions applied by management in their store impairment reviews are:</p> <ul style="list-style-type: none">– determining the cash-generating units (CGUs) that show indicators of impairment. A CGU is determined to be an individual store;– country-specific discount rates and long term growth rates;– forecast store costs, including rent, staff payroll and general operating costs;– identifying and allocating a proportion of central overheads to stores; and– forecast contribution growth. <p>The Group's principal accounting policy on impairment of store-based assets is on page 120 and the sources of estimation uncertainty for impairment of store-based assets are on page 124.</p> <p>Judgement relating to impairment of store-based assets is a significant issue considered by the Audit Committee, as discussed on page 64.</p> <p>The Group has also considered the impact of Covid-19 as a non-adjusting post balance sheet event as disclosed in note 38.</p>
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How the scope of our audit responded to the key audit matter	<p>Our audit focused on whether store-based asset impairments have been appropriately calculated in accordance with the requirements of IAS 36, 'Impairment of Assets'. In doing so we carried out the following procedures:</p> <ul style="list-style-type: none"> – we obtained an understanding of the relevant controls in respect of the impairment reviews across the Group; – we challenged the completeness and accuracy of the impairment models prepared by management and checked the mechanical accuracy of these models; – we assessed the discount rates applied in forming the impairment review against external benchmarks and used our internal valuation specialists in this assessment; – we evaluated the growth rates applied by management against external economic data; – we benchmarked the forecasts prepared in the current year against those prepared in the prior year and considered the implications of forecasting accuracy on these models; – we challenged the assumptions made by management in respect of forecast sales growth and margins through comparison to external information and performed sensitivity analysis based on internal and external reference data; – we considered the structure of the business to evaluate the identification and allocation of central overheads into store impairment models; – we agreed the vacant possession value of freehold property to third party valuation reports and challenged the inputs and valuation methodology applied using our internal real estate specialists; and – we considered the disclosures within the financial statements against the requirements of IFRS. – assessed the completeness and accuracy of disclosures within the financial statements in accordance with IFRS, in particular note 14 and the Covid-19 related disclosures included in note 38. We have challenged the rationale for why Covid-19 is not identified as an adjusting post balance sheet event.
Key observations	We are satisfied that the carrying value of store-based assets is appropriate and that appropriate disclosures have been made under IFRS.

5.4. Impairment of goodwill: Romania CGU grouping

Key audit matter description	<p>At 31 January 2020, the carrying value of goodwill totalled £2,416 million (31 January 2019: £2,436 million), as disclosed in note 12 to the financial statements.</p> <p>Goodwill is allocated on a country basis as this is the lowest level at which management monitor the goodwill internally and this does not exceed the group's operating segments.</p> <p>In the course of performing our audit planning procedures, we identified a decline in trading performance and limited headroom in the Romania trading entity. We therefore focused our procedures on the £35 million (2018/19: £36 million) of goodwill allocated to this CGU grouping.</p> <p>Impairment of goodwill is evaluated with reference to the value in use of the entities which consolidate into the CGU groupings, which is calculated as the net present value of future cash flows. There are several judgements in assessing value in use including cash flow forecasting and the determination of discount and long term growth rates.</p> <p>The Group's principal accounting policy on impairment of goodwill is on page 119.</p> <p>Judgement relating to impairment of goodwill is a significant issue considered by the Audit Committee, as discussed on page 64.</p> <p>The Group has also considered the impact of Covid-19 as a non-adjusting post balance sheet event. The sensitivities and potential impairment under these scenarios have been disclosed in note 38</p>
How the scope of our audit responded to the key audit matter	<p>In performing our procedures in relation to the carrying value of goodwill, we carried out the following:</p> <ul style="list-style-type: none"> – we obtained an understanding of the relevant controls in respect of the goodwill impairment review process; – we considered the basis for the CGU groupings and whether these continued to be appropriate; – we assessed whether cash flow forecasts were compliant with the requirements of IAS 36 'Impairment of Assets' and specifically that they excluded cash flows not permitted by IAS 36, such as enhancement expenditure; – we reconciled the cash flow forecasts to the Board-approved business plan and performed a retrospective review of current year performance against budget; – we compared the long term growth rates to external economic forecasts; – we assessed the discount rates applied in forming the impairment review against external benchmarks and used our internal valuation specialists in this assessment; – we assessed the appropriateness of the sensitivities applied by management and whether these gave rise to an impairment. We also performed our own sensitivity analysis based on a combination of internal and external benchmarking; – we checked the arithmetic accuracy of the impairment models; and – we considered the disclosures within the financial statements against the requirements of IFRS, in particular note 12 and the Covid-19 related disclosures included in note 38. We have challenged the rationale for why Covid-19 is not identified as an adjusting post balance sheet event.

Independent auditor's report to the members of Kingfisher plc continued

5.4 Impairment of goodwill: Romania CGU grouping continued

Key observations	<p>We are satisfied that the CGU groupings identified by management continued to be appropriate in the current year.</p> <p>In respect of the Romania CGU grouping, as a result of the sensitivity of the model to changes in key assumptions, management has recognised an impairment amounting to £18 million.</p> <p>We are satisfied that the carrying value of goodwill in respect of the Romania CGU grouping is appropriate. We are also satisfied with the carrying value of goodwill in the other CGU groupings.</p> <p>We are satisfied that appropriate disclosures have been made under IFRS.</p>
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5.5. Taxation matters: transfer pricing

Key audit matter description	<p>The Group files tax returns in many jurisdictions and is periodically subject to tax audits in the ordinary course of its business, including matters relating to transfer pricing, indirect taxes and transaction-related tax. Applicable tax laws and regulations are subject to differing interpretations and the resolution of a final tax position can take several years. Where it is considered that future tax liabilities are more likely than not to arise, an appropriate provision is recognised in the financial statements.</p> <p>Our key audit matter focused on the valuation of transfer pricing provisions as we consider this to be the most judgemental area of the provisioning given the range of possible outcomes and the number of tax authorities involved for a multinational Group such as Kingfisher plc.</p> <p>The Group's principal accounting policy for taxation matters is on page 122 and the critical accounting judgement for taxation matters is on page 125. Tax disclosures are given in notes 9 and 25.</p> <p>Judgement relating to taxation matters is a significant issue considered by the Audit Committee, as discussed on page 65.</p>
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How the scope of our audit responded to the key audit matter	<p>In performing our procedures in relation to transfer pricing provisions, we carried out the following:</p> <ul style="list-style-type: none">– we obtained an understanding of the relevant controls in respect of the valuation of transfer pricing provisions;– in conjunction with tax specialists, evaluated the tax positions taken by management in the context of local tax law and tested the accuracy and completeness of transfer pricing provisions. This included reviewing external opinions and other support received from the Group's tax advisers, which management has used in assessing the level of transfer pricing provisions to record;– further tested the valuation and accuracy of underlying schedules used to compute the transfer pricing provisions; and– involved our internal transfer pricing specialists to challenge the approach taken to transfer pricing, the transactions that flow between Group entities including any changes in approach during the year.
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Key observations	<p>We consider the provisions recorded for transfer pricing to be acceptable in the context of the Group's overall potential tax exposures and our materiality.</p> <p>We consider the overall level of disclosure in relation to tax provisioning and the discussion of contingent liabilities to be appropriate.</p>
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5.6. Classification and presentation of exceptional items

Key audit matter description	<p>The presentation and consistency of costs and income presented within exceptional items is a key determinant in assessing the quality of the Group's underlying earnings.</p> <p>For the year ended 31 January 2020, the Group incurred net exceptional costs of £400 million (2018/19: £204 million) as disclosed in note 5.</p> <p>The presentation of certain income and costs as non-GAAP measures under IFRSs is judgemental, with IFRSs only requiring the separate presentation of material items.</p> <p>The exceptional items are expected to be non-recurring and are disclosed separately by virtue of their nature, size or incidence.</p> <p>Management judgement is required in determining whether an item meets the Group's definition for exceptional items. We therefore identified this key audit matter as a possible risk of inappropriate manipulation.</p> <p>The Group has established definitions of exceptional items which are disclosed on page 130. The Group's principal accounting policy on use of non-GAAP measures is on page 117 and the judgements made in applying the accounting policy are disclosed on page 125.</p> <p>The classification and presentation of exceptional items is a significant issue considered by the Audit Committee as discussed on page 65.</p>
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How the scope of our audit responded to the key audit matter	<p>We carried out the following procedures in assessing the classification of exceptional items:</p> <ul style="list-style-type: none"> – we obtained an understanding of the relevant controls in respect of the Group’s classification of exceptional items; – we agreed a sample of exceptional items to supporting evidence; – we evaluated the presentation of exceptional items, both individually and in aggregate, considering consistency with the Group’s definition of exceptional items and latest guidance from the FRC and the European Securities and Markets Authority; – we reviewed management’s application of the policy on exceptional items for consistency with previous accounting periods; – we assessed whether the disclosures within the financial statements provide sufficient detail for the reader to understand the nature of these items; and – for all significant adjustments recorded in calculating adjusted profits, we discussed the appropriateness of the item and any disclosure considerations with the Audit Committee.
Key observations	We are satisfied that the amounts classified as exceptional items are presented in accordance with the Group’s stated accounting policy and that the related disclosure of these items in the financial statements is appropriate.

5.7. IFRS 16 ‘Leases’ valuation: discount rates on transition

Key audit matter description	<p>IFRS 16 ‘Leases’ has been adopted retrospectively from 1 February 2019, which resulted in an increase of £1,848 million to assets and £2,356 million to liabilities as at that date. A number of judgements and estimates have been made in calculating the impact of adoption of IFRS 16.</p> <p>In order to compute the transition impact of IFRS 16, a significant data extraction exercise was undertaken to summarise all property and equipment lease data such that the inputs can be uploaded into management’s internal IFRS 16 model.</p> <p>Management judgement is required in determining the implicit rate of interest in each lease when calculating the lease liability. The incremental borrowing rate (‘IBR’) method has been adopted where the implicit rate of interest in a lease is not readily determinable. There is a risk that the judgements made when determining the IBR do not accurately reflect the implicit rate of interest in the lease.</p> <p>The Group’s principal accounting policy on IFRS 16 is disclosed on page 120 and the critical accounting judgements associated with IFRS 16 are on page 125.</p> <p>Judgements relating to IFRS 16 are a significant issue considered by the Audit Committee, as discussed on page 64.</p>
How the scope of our audit responded to the key audit matter	<p>We performed the following procedures in respect of this key audit matter:</p> <ul style="list-style-type: none"> – we evaluated the design and implementation of controls around the Group’s transition to IFRS 16; – we agreed a sample of leases to the original lease contract and other supporting documentation. We recalculated the expected IFRS 16 adjustment for each lease sampled, using our internal IFRS 16 modelling template, to assess management’s IFRS 16 calculation; – we performed completeness procedures through a reconciliation of lease payments to the IFRS 16 lease data and considered the nature of key service contracts to assess whether they contained a lease under IFRS 16; – we profiled all lease data against specific risk indicators to identify trends within the lease data that might indicate that the data was either incomplete or inaccurate; – we benchmarked the IBR applied in the IFRS 16 calculation for a sample of leases against external market data with input from our internal valuation specialists; and – we assessed whether the disclosures within the financial statements are appropriate in light of the requirements of IAS 1 ‘Presentation of Financial Statements’ and IFRS 16.
Key observations	We conclude that management’s discount rate methodology is appropriate and in accordance with the requirements of IFRS 16 and that the IBRs applied are reasonable.

Independent auditor’s report to the members of Kingfisher plc continued

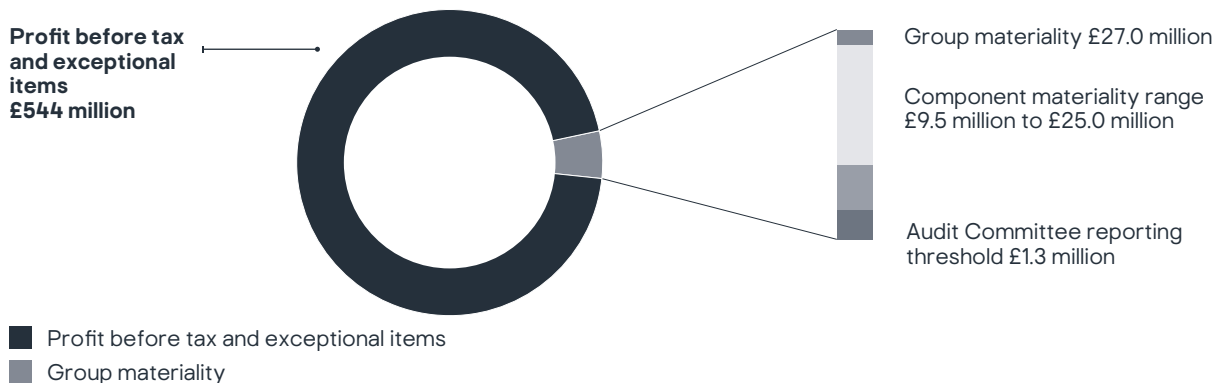
6. Our application of materiality

6.1. Materiality

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

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

	Group financial statements	Parent company financial statements
Materiality	£27 million (2018/19: £28 million)	£25 million (2018/19: £27 million)
Basis for determining materiality	5% (2018/19: 5%) of profit before tax and exceptional items. Exceptional items are defined in note 5.	0.4% (2018/19: 0.4%) of net assets, which is capped at 95% of Group performance materiality (2018/19: 95% of Group materiality).
Rationale for the benchmark applied	<p>In determining our benchmark for materiality we considered the focus of the users of the financial statements.</p> <p>Profit before taxation and exceptional items was selected as the basis of materiality because this is the primary measure by which stakeholders and market assess the performance of the Group.</p> <p>In coming to this judgement we also considered further benchmarks including revenue and net assets as alternative benchmarks.</p> <p>We excluded exceptional items when determining the basis for materiality because the items, primarily relating to impairments of assets, do not form part of the underlying trading performance of the Group.</p>	<p>The Company is non-trading and contains the investments in all of the trading components of the Group.</p>



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% (2018/19: 70%) of Group materiality. In determining performance materiality, we considered the following factors:

- our risk assessment, including our assessment of the Group’s overall control environment and that we consider it appropriate to rely on controls over a number of business processes; and
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the committee all audit differences in excess of £1.3m (2018/19: £1.4m), 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 identify when assessing the overall presentation of the financial statements.

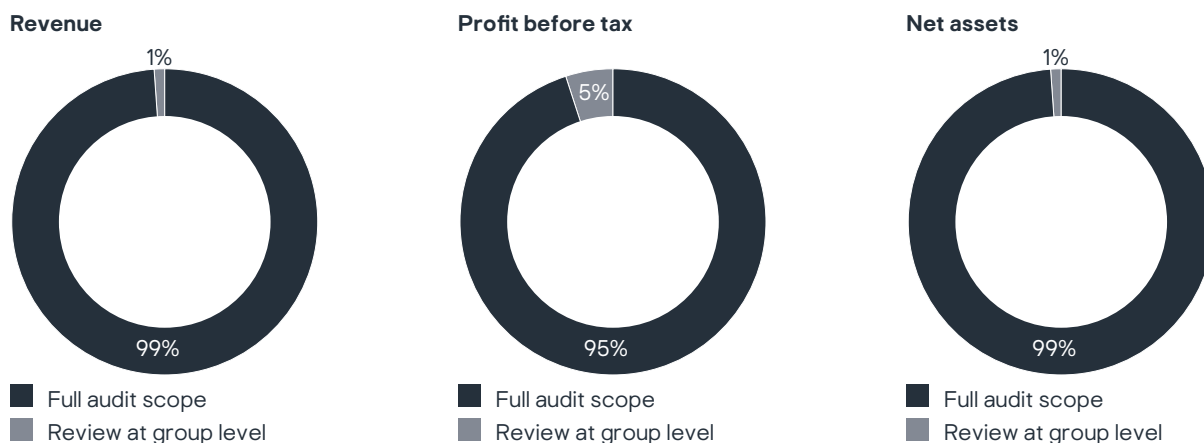
7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our approach to scoping the Group audit was to understand the Group and its environment, including Group-wide controls, and assess the risks of material misstatement at the Group level. The Group operates over 1,300 stores in nine countries across Europe.

We focussed our Group audit scope primarily on all significant trading entities as well as central sourcing, support and head office entities. Full scope audits were performed for each of B&Q UK, Screwfix UK, KITS UK, Kingfisher Digital, KIPL UK, Castorama France, Brico Dépôt France, Castorama Poland, Castorama Russia, Brico Dépôt Romania, Praktiker Romania and Brico Dépôt Spain. All financial reporting is managed by local finance functions with Group oversight from the head office in London.

These entities represent the principal business units and account for 99% (2018/19: 99%) of the Group’s revenue, 95% (2018/19: 100%) of the Group’s profit before tax and 99% (2018/19: 97%) of the Group’s net assets.



Independent auditor's report to the members of Kingfisher plc continued

7.2. Our consideration of the control environment

7.2.1. IT Environment

We identified the main finance systems (Hyperion, SAP and CODA) and some in-store transaction processing systems as the key IT systems relevant to our audit. SAP and CODA are enterprise resource planning systems used for day-to-day financial management at the local level. Hyperion is a financial reporting system used internally to facilitate the reporting of financial information between local finance and Group finance. IT systems are primarily managed from the centralised Kingfisher IT Services function and therefore we engaged a central IT audit team to evaluate the IT systems to support our audit.

We planned to rely on IT controls associated with SAP and CODA across the entire Group, with the exception of Romanian entities where the transition between old and new SAP instances was being performed during the year. We identified general IT controls relevant to the audit as well as specific IT controls that supported our controls reliance approach for certain business processes. Across the in-scope entities, IT controls were relied on in the trading businesses to support revenue, expenditure and inventory processes as detailed in Section 7.2.2.

In order to evaluate the operating effectiveness of IT controls, we performed walkthrough procedures to understand whether the purpose of the control was effectively designed to address the IT related risk and then performed testing of the control across the audit period, to determine whether the control had been consistently applied.

Our procedures enabled us to place reliance on IT controls, as planned, in the audit approach.

7.2.2. Controls Reliance

We sought to adopt a controls reliance approach over the revenue, expenditure and inventory processes across certain components of the group.

Our ability to adopt a controls reliance approach relied on the evaluation of the operating effectiveness of key controls in the above business processes. Our evaluation of the operating effectiveness began with an evaluation of the control within the business process. Once we were satisfied that the control had been appropriately designed and implemented, we then selected a sample of control operations from throughout the year and evidenced that for each selected operation the control had operated as expected.

In some smaller entities, we were not able or chose not to adopt a controls reliance approach in the business processes above due to the use of legacy IT systems and changes within the business during the year. This did not affect our ability to conclude in these areas at either the component or Group level.

7.3. Working with other auditors

We worked closely with the component auditors to involve them in our planning procedures and also to maintain oversight throughout the audit process. We communicated our requirements of the component auditors regularly throughout the year and issued referral instructions formalising our requirements of the component teams. We held an internal team meeting where component teams met with us to discuss the planned audit approach and the risks within each component.

A senior member of the Group audit team maintained regular contact with the component audit teams and discussed significant audit matters arising from the performance of local audit procedures. Regular meetings with Group and component management were held throughout the year to build on the understanding of the significant audit matters within components to inform our Group audit approach.

The most significant components of the Group are its retail businesses in the UK, France and Poland. As such, there was a high level of communication between these teams to ensure an appropriate level of Group audit team involvement in the component audit work.

For each of these most significant components, a senior member of the Group audit team reviewed the component working papers, including key planning and reporting documents, the procedures performed to address Group significant risks and the procedures performed to respond to other areas of focus and local significant risks, in order to satisfy ourselves that we had obtained sufficient appropriate audit evidence in response to the identified risks. The Senior Statutory Auditor met with the component teams of B&Q UK, Screwfix UK, Castorama France, Brico Dépôt France and Castorama Poland at least once in the current year.

The Senior Statutory Auditor or another senior member of the Group audit team attended the audit close meeting of every component within Group audit scope. In performing the procedures detailed above the Group audit team reviewed, considered and challenge the key matters relevant to our conclusion in relation to the Group audit and assessed the impact on our Group audit.

8. Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, being the strategic reports on pages 1 to 47 and the governance reports on pages 48 to 97, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

9. Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

10. Auditor's responsibilities for the audit of the financial statements

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

Independent auditor's report to the members of Kingfisher plc continued

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including all component audit teams and involving relevant internal specialists, including tax, valuations, pensions, IT, real estate and financial instrument specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the areas of inventory valuation and classification and presentation of exceptional items. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override of controls.

We also obtained an understanding of the legal and regulatory frameworks in which the Group operates, focussing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Companies Act 2006, the Listing Rules, UK corporate governance legislation and UK and overseas tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified inventory valuation and classification and presentation of exceptional items as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters. These included the competition and anti-bribery laws, data protection, and employment, environmental and health and safety regulations.

In addition to the above our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and all component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14. Other matters

14.1. Auditor tenure

We were appointed as auditors by the Directors to fill a casual vacancy on 5 October 2009 to audit the financial statements of the Company for the period ending 30 January 2010 and subsequent financial periods. Our appointment was subsequently ratified at the annual general meeting of the Company on 17 June 2010.

Following a competitive tender process, we were reappointed as auditor of the Company for the period ending 31 January 2020 and subsequent financial periods.

Our total uninterrupted period of engagement is 11 years, covering periods from our initial appointment through to the period ending 31 January 2020.

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

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

15. Use of our report

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

Nicola Mitchell FCA (Senior statutory auditor)

**For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom**

16 June 2020

Consolidated income statement

Year ended 31 January 2020

£ millions	Notes	2019/20			2018/19 restated (note 37)		
		Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
Sales	4	11,513	–	11,513	11,685	–	11,685
Cost of sales		(7,258)	–	(7,258)	(7,367)	–	(7,367)
Gross profit		4,255	–	4,255	4,318	–	4,318
Selling and distribution expenses		(2,772)	(398)	(3,170)	(2,800)	(174)	(2,974)
Administrative expenses		(790)	(51)	(841)	(799)	(63)	(862)
Other income		21	15	36	27	27	54
Other expenses		–	–	–	–	(57)	(57)
Share of post-tax results of joint ventures and associates	17	3	–	3	1	–	1
Operating profit	4	717	(434)	283	747	(267)	480
Finance costs		(191)	(7)	(198)	(196)	–	(196)
Finance income		18	–	18	16	–	16
Net finance costs	6	(173)	(7)	(180)	(180)	–	(180)
Profit before taxation	7	544	(441)	103	567	(267)	300
Income tax expense	9	(136)	41	(95)	(170)	63	(107)
Profit for the year		408	(400)	8	397	(204)	193
Earnings per share	10						
Basic				0.4p			9.1p
Diluted				0.4p			9.0p
Adjusted basic				19.1p			19.8p
Adjusted diluted				19.0p			19.7p

Reconciliation of non-GAAP adjusted pre-tax profit:

Adjusted pre-tax profit		544		574
Exchange differences on lease liabilities		–		(7)
Exceptional items	5	(441)		(267)
Profit before taxation		103		300

The Directors propose no final dividend for the year ended 31 January 2020.

Consolidated statement of comprehensive income

Year ended 31 January 2020

£ millions	Notes	2019/20	2018/19 restated (note 37)
Profit for the year		8	193
Actuarial gains on post-employment benefits	27	42	78
Inventory cash flow hedges – fair value gains		20	85
Tax on items that will not be reclassified		(24)	(53)
Total items that will not be reclassified subsequently to profit or loss		38	110
Currency translation differences			
Group		(134)	(46)
Joint ventures and associates		(1)	–
Other cash flow hedges			
Fair value losses		(3)	(2)
Losses transferred to income statement		3	2
Total items that may be reclassified subsequently to profit or loss		(135)	(46)
Other comprehensive (loss)/income for the year		(97)	64
Total comprehensive (loss)/income for the year		(89)	257

Consolidated statement of changes in equity

Year ended 31 January 2020

		2019/20						
£ millions	Notes	Share capital	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves (note 29)	Total equity
At 1 February 2019		332	2,228	(25)	3,192	43	379	6,149
Profit for the year		-	-	-	8	-	-	8
Other comprehensive income/(loss) for the year		-	-	-	22	-	(119)	(97)
Total comprehensive income/(loss) for the year		-	-	-	30	-	(119)	(89)
Inventory cash flow hedges – gains transferred to inventories		-	-	-	-	-	(40)	(40)
Share-based compensation		-	-	-	11	-	-	11
Own shares issued under share schemes		-	-	12	(12)	-	-	-
Purchase of own shares for ESOP trust		-	-	(10)	-	-	-	(10)
Dividends		-	-	-	(227)	-	-	(227)
Tax on equity items		-	-	-	-	-	8	8
At 31 January 2020		332	2,228	(23)	2,994	43	228	5,802

		2018/19 restated (note 37)						
£ millions	Notes	Share capital	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves (note 29)	Total equity
At 1 February 2018		340	2,228	(29)	3,311	35	378	6,263
Profit for the year		-	-	-	193	-	-	193
Other comprehensive income for the year		-	-	-	46	-	18	64
Total comprehensive income for the year		-	-	-	239	-	18	257
Inventory cash flow hedges – gains transferred to inventories		-	-	-	-	-	(22)	(22)
Share-based compensation		-	-	-	15	-	-	15
New shares issued under share schemes		-	-	-	2	-	-	2
Own shares issued under share schemes		-	-	4	(4)	-	-	-
Purchase of own shares for cancellation		(8)	-	-	(140)	8	-	(140)
Dividends		-	-	-	(231)	-	-	(231)
Tax on equity items		-	-	-	-	-	5	5
At 31 January 2019		332	2,228	(25)	3,192	43	379	6,149

Consolidated balance sheet

At 31 January 2020

£ millions	Notes	2019/20	2018/19 restated (note 37)	2017/18 restated (note 37)
Non-current assets				
Goodwill	12	2,416	2,436	2,437
Other intangible assets	13	339	371	355
Property, plant and equipment	14	2,988	3,302	3,536
Right-of-use assets	15	1,916	2,017	2,218
Investment property	16	8	8	20
Investments in joint ventures and associates	17	16	15	19
Post-employment benefits	27	404	320	214
Deferred tax assets	25	12	13	39
Other receivables	19	27	41	55
		8,126	8,523	8,893
Current assets				
Inventories	18	2,485	2,574	2,701
Trade and other receivables	19	293	406	501
Derivative assets	23	14	26	41
Current tax assets		9	1	-
Cash and cash equivalents	20	189	229	230
Assets held for sale	33	196	89	-
		3,186	3,325	3,473
Total assets		11,312	11,848	12,366
Current liabilities				
Trade and other payables	21	(2,210)	(2,415)	(2,630)
Borrowings	22	(43)	(1)	(127)
Lease liabilities	15	(306)	(308)	(309)
Derivative liabilities	23	(43)	(21)	(79)
Current tax liabilities		(78)	(118)	(140)
Provisions	26	(65)	(27)	(15)
Liabilities directly associated with assets held for sale	33	(88)	-	-
		(2,833)	(2,890)	(3,300)
Non-current liabilities				
Other payables	21	(5)	(6)	(2)
Borrowings	22	(93)	(139)	(4)
Lease liabilities	15	(2,221)	(2,318)	(2,482)
Derivative liabilities	23	(3)	(2)	-
Deferred tax liabilities	25	(189)	(192)	(171)
Provisions	26	(39)	(37)	(29)
Post-employment benefits	27	(127)	(115)	(115)
		(2,677)	(2,809)	(2,803)
Total liabilities		(5,510)	(5,699)	(6,103)
Net assets	4	5,802	6,149	6,263
Equity				
Share capital	28	332	332	340
Share premium		2,228	2,228	2,228
Own shares held in ESOP trust		(23)	(25)	(29)
Retained earnings		2,994	3,192	3,311
Capital redemption reserve		43	43	35
Other reserves	29	228	379	378
Total equity		5,802	6,149	6,263

The financial statements were approved by the Board of Directors on 16 June 2020 and signed on its behalf by:

Thierry Garnier
Chief Executive Officer

Bernard Bot
Chief Financial Officer

Consolidated cash flow statement

Year ended 31 January 2020

£ millions	Notes	2019/20	2018/19 restated (note 37)
Operating activities			
Cash generated by operations	31	1,052	1,243
Income tax paid		(155)	(132)
Net cash flows from operating activities		897	1,111
Investing activities			
Purchase of property, plant and equipment and intangible assets	4	(342)	(332)
Disposal of property, plant and equipment, investment property, assets held for sale and intangible assets		188	45
Interest received		12	11
Interest element of lease rental receipts		1	3
Principal element of lease rental receipts		5	6
Advance payments on right-of-use assets		(3)	(4)
Dividends received from joint ventures and associates		1	5
Net cash flows used in investing activities		(138)	(266)
Financing activities			
Interest paid		(35)	(19)
Interest element of lease rental payments		(165)	(174)
Principal element of lease rental payments		(319)	(312)
Repayment of bank loans		(1)	(1)
Issue of fixed term debt		–	139
Repayment of fixed term debt		–	(134)
Receipt on financing derivatives		–	37
New shares issued under share schemes		–	2
Purchase of own shares for ESOP trust		(10)	–
Purchase of own shares for cancellation		–	(140)
Ordinary dividends paid to equity shareholders of the Company	11	(227)	(231)
Net cash flows from financing activities		(757)	(833)
Net increase in cash and cash equivalents		2	12
Cash and cash equivalents at beginning of year		229	230
Exchange differences		(36)	(13)
Cash and cash equivalents at end of year	20	195	229

Cash and cash equivalents at the end of the year include £6m of cash included within assets held for sale on the balance sheet (2018/19: £nil).

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 47.

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

These consolidated financial statements have been approved for issue by the Board of Directors on 16 June 2020.

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 17 of the consolidated financial statements and in note 4 of the Company’s separate financial statements. The current financial year is the year ended 31 January 2020 (‘the year’ or ‘2019/20’). The comparative financial year is the year ended 31 January 2019 (‘the prior year’ or ‘2018/19’). 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 2020. Refer to note 3 for details of the Directors’ assessment of going concern.

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

The 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.

Changes to accounting policies as a result of new standards issued and effective

The Group adopted IFRS 16 ‘Leases’ on 1 February 2019 on a fully retrospective basis, resulting in the restatement of comparatives for the year ended 31 January 2019. The cumulative effect of initial application is recognised as an adjustment to opening equity on the date of transition (1 February 2018). The standard supersedes IAS 17

‘Leases’ and is effective for periods beginning on or after 1 January 2019. The adoption of IFRS 16 has had a material impact on the Group’s primary financial statements, including impacts on the operating profit, profit before taxation, total assets and total liabilities lines. Refer to note 37 for further details of the Group’s initial application of IFRS 16.

The Group early adopted the IFRS 9 amendments which provides temporary relief to hedging relationships that are directly affected by IBOR reform. This has no impact on the Group’s financial statements as the existing hedge relationships described in note 23 will terminate in advance of the planned IBOR replacement date.

Other new standards, amendments and interpretations are in issue and effective for the Group’s financial year ended 31 January 2020, but they do not have a material impact on the consolidated financial statements.

Standards issued but not yet effective

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

Risks and uncertainties

The principal risks and uncertainties to which the Group is exposed are set out in the Strategic Report on pages 36 to 45.

Use of non-GAAP measures

In the reporting of financial information, the Group uses certain measures that are not required under IFRS, the generally accepted accounting principles (‘GAAP’) under which the Group reports. Kingfisher believes that retail profit, adjusted pre-tax profit, adjusted effective tax rate, and adjusted earnings per share provide additional useful information on performance and trends to shareholders. These and other non-GAAP measures (also known as ‘Alternative Performance Measures’), such as net debt, are used by Kingfisher for internal performance analysis and incentive compensation arrangements for employees. The terms ‘retail profit’, ‘exceptional items’, ‘adjusted’, ‘adjusted effective tax rate’ and ‘net debt’ are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measures.

Retail profit is defined as continuing operating profit before central costs, the Group’s share of interest and tax of joint ventures and associates, and exceptional items. Central costs principally comprise the costs of the Group’s head office before exceptional items.

The separate reporting of exceptional items, which are presented as exceptional within their relevant income statement category, include items which by virtue of their size and/or nature, do not reflect the Group’s ongoing trading performance. 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, exit or impairment of subsidiaries, joint ventures, associates and investments which do not form part of the Group’s ongoing trading activities;
- profits and losses on the disposal of properties and significant write-downs of goodwill and other assets;
- the costs of significant restructuring, including certain restructuring costs of the Group’s five-year transformation plan launched in 2016/17, and incremental acquisition integration costs; and
- significant one-off tax settlements and provision charges/releases and the tax effects of other exceptional items.

Notes to the consolidated financial statements continued

2 Principal accounting policies continued

The term 'adjusted' refers to the relevant measure being reported for continuing operations excluding exceptional items, exchange differences on lease liabilities, financing fair value remeasurements, related tax items and prior year tax items (including the impact of changes in tax rates on deferred tax). Exchange differences on lease liabilities represent the income statement impact of translating lease liabilities denominated in non-functional currencies (e.g. a dollar-denominated lease in Russia) which are not able to be designated as net investment hedges. 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 adjusted effective tax rate is calculated as continuing income tax expense excluding tax on exceptional items and adjustments in respect of prior years and the impact of changes in tax rates on deferred tax, divided by continuing profit before taxation excluding exceptional items. The exclusion of items relating to prior years, and those not in the ordinary course of business, helps provide a better indication of the Group's ongoing rate of tax.

Net debt comprises lease liabilities, borrowings and financing derivatives (excluding accrued interest) less cash and cash equivalents and short-term deposits, including such balances classified as held for sale.

The Group no longer reports profits on an 'underlying' basis, with the single 'adjusted' measure now judged by management to be a better and simpler reflection of business performance. The term 'underlying' previously referred to the relevant adjusted measure being reported before non-exceptional transformation costs ('transformation P&L costs'). Non-exceptional transformation costs previously represented the additional costs that arose only as a result of the transformation plan launched in 2016/17, which either because of their nature or the length of the period over which they were incurred were not considered as exceptional items. As a result, 2018/19 'Retail profit' and 'Central costs' comparatives have been restated to include their respective share of costs previously reported as non-exceptional transformation costs (see note 4). Note that the 'adjusted' performance measures are unaffected by this change.

A further restatement of 2018/19 comparatives has been performed for the reallocation of certain central support costs between operating segments, which has also impacted their reported retail profits (see note 4).

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, lease liabilities and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, such exchange differences recorded since 1 February 2004 (being the date of transition to IFRS) are recognised in the income statement as part of the gain or loss on disposal.

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

(iv) Principal rates of exchange against Sterling

	2019/20		2018/19	
	Average rate	Year end rate	Average rate	Year end rate
Euro	1.14	1.19	1.13	1.15
US Dollar	1.28	1.32	1.33	1.31
Polish Zloty	4.91	5.11	4.83	4.88
Romanian Leu	5.44	5.69	5.26	5.43
Russian Rouble	82.13	84.48	84.34	86.01

d. Revenue recognition

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

Revenue is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue relating to sales of in-store products is generally recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the product and on 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. An asset (with a corresponding adjustment to Cost of sales) is also recognised for goods expected to be returned from customers. Where award credits such as vouchers or loyalty points are provided as part of the sales transaction, the amount allocated to the credits is deferred and recognised when the credits are redeemed and the Group fulfils its obligations to supply the awards.

For delivered products and services, sales are recognised when the relevant performance obligations have been satisfied. 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 includes external rental income and gains on disposal of assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

e. Rebates

Rebates received from suppliers mainly comprise volume related rebates on the purchase of inventories. Contractual volume related rebates are accrued as units are purchased based on the percentage rebate applicable to forecast total purchases over the rebate period, where it is probable the rebates will be received and the amounts can be estimated reliably. Discretionary rebates are not anticipated and only recognised once earned. Rebates relating to inventories purchased but still held at the balance sheet date are deducted from the carrying value so that the cost of inventories is recorded net of applicable rebates. Such rebates are credited to the cost of sales line in the income statement when the goods are sold.

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

f. Dividends

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

g. Intangible assets

(i) Goodwill

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

Notes to the consolidated financial statements continued

2 Principal accounting policies continued

g. Intangible assets continued

Goodwill is carried at cost less accumulated impairment losses. Goodwill is not amortised and is tested annually for impairment at country level, representing the lowest level at which it is monitored for internal management purposes, by assessing the recoverable amount of each cash generating unit or groups of cash generating units to which the goodwill relates. The recoverable amount is assessed by reference to the net present value of expected future pre-tax cash flows ('value-in-use') or fair value less costs to sell if higher. The pre-tax discount rates are derived from the Group's weighted average cost of capital, taking into account the cost of equity and debt, to which specific market-related premium adjustments are made for each country in which the cash generating unit ('CGU') operates. When the recoverable amount of the goodwill is less than its carrying amount, an impairment loss is recognised immediately in the income statement which cannot subsequently be reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Computer software

Where software is not an integral part of a related item of computer hardware, it is classified as an intangible asset. Costs that are directly associated with the acquisition or production of identifiable software products controlled by the Group, which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Capitalised costs include those of software licences and development, including costs of employees, consultants and an appropriate portion of relevant overheads.

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

Software under development is held at cost less any provisions for impairment, with impairment reviews being performed annually, or when there is an indication of impairment.

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

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 buildings	– over remaining useful life
Leasehold improvements	– over remaining period of the lease
Fixtures and fittings	– between 4 and 20 years
Computers and electronic equipment	– between 3 and 5 years
Motor cars	– 4 years
Commercial vehicles	– between 3 and 10 years

(iii) Impairment

At each reporting date an assessment is performed as to whether there are any indicators that property, plant and equipment, including the Group's stores, may be impaired 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. A vacant possession valuation basis is used to approximate the fair value less costs to sell. The pre-tax discount rates are derived from the Group's weighted average cost of capital, taking into account the cost of equity and debt, to which specific market-related premium adjustments are made for each country. 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

(i) Lessee accounting

The Group assesses whether a contract is or contains a lease at inception of the contract. Typically, lease contracts relate to properties such as stores and distribution centres, and equipment leases such as mechanical handling equipment and vehicles. For leases in which the Group is a lessee, the Group recognises a right-of-use asset and a lease liability.

The liability is initially measured as the present value of the lease payments not yet paid at the commencement date, discounted at an appropriate discount rate. Where the implicit rate in the lease is not readily determinable, an incremental borrowing rate is calculated and applied. The calculation methodology is based upon applying a financing spread to a risk-free rate, with the resulting rate including the effect of the credit worthiness of the operating company in which the lease is contracted, as well as the underlying term, currency and start date of the lease agreement.

Lease payments used in the measurement of the lease liability principally comprise fixed lease payments (subject to indexation/rent reviews) less any incentives. The lease liability is subsequently measured using an effective interest method whereby the carrying amount of the lease liability is measured on an amortised cost basis, and the interest expense is allocated over the lease term. The lease term comprises the non-cancellable lease term, in addition to optional periods when the Group is reasonably certain to exercise an option to extend (or not to terminate) a lease.

The Group remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever an event occurs that changes the term or payment profile of a lease, such as the renewal of an existing lease, the exercise of lease term options, market rent reviews and indexation. A lease liability which is denominated in a currency that is not the functional currency of the relevant Group entity (e.g. a dollar-denominated lease in Castorama Russia) is translated into that entity's functional currency with foreign exchange gains and losses recorded in the income statement, unless the lease liability is able to be designated as a net investment hedge with foreign exchange gains and losses recorded in other comprehensive income.

The right-of-use assets are initially measured at the amount equal to the lease liability, adjusted by any upfront lease payments or incentives and any initial direct costs incurred. Subsequently, the assets are measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated on a straight-line basis over the remaining lease term.

(ii) Lessor accounting

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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 equity of any gains or losses on qualifying cash flow hedges relating to purchases.

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

m. Employee benefits

(i) Post-employment benefits

The Group operates various defined benefit and defined contribution pension schemes for its employees, some of which are required by local legislation. A defined benefit scheme is a pension scheme which defines an amount of pension benefit which an employee will receive on retirement. A defined contribution scheme is a pension scheme under which the Group usually pays fixed contributions into a separate entity. In all cases other than some of the legally required schemes, a separate fund is being accumulated to meet the accruing liabilities. The assets of each of these funds are either held under trusts or managed by insurance companies and are entirely separate from the Group's assets.

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

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

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

(ii) Share-based compensation

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

Notes to the consolidated financial statements continued

2 Principal accounting policies continued

n. Taxation

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

The Group is subject to income taxes in numerous jurisdictions and there are many transactions for which the ultimate tax determination is uncertain during the ordinary course of business. For uncertain tax positions, on the basis that tax authorities have full knowledge of the relevant information it is determined whether it is probable that, in aggregate, an outflow of economic resources will occur following investigation. The potential impact of the relevant tax authority's examination of the uncertain tax positions is measured to make the best estimate of the amount of the tax benefit that may be lost, for which provisions are then recorded. Where the final outcome of these matters is different from the amounts which were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. These adjustments in respect of prior years are recorded in the income statement, or directly in equity, as appropriate.

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

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

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

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

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

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

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

Operating levies, such as certain revenue, property and payroll-based taxes, are not treated as income tax and are included within operating profit. The timing of recognition of a liability to pay an operating levy is determined by the event identified under the relevant legislation that triggers the obligation to pay the levy.

o. Provisions and contingent liabilities

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

A provision is recorded if the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it. The unavoidable costs reflect the net cost of exiting the contract.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate which reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Credits or charges arising from changes in the rate used to discount the provisions are recognised within net finance costs.

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

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

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

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, uncleared credit card receipts, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less.

(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. Changes in fair value of the investments are recognised in the profit and loss as they arise unless the Group irrevocably elects at initial recognition (if criteria are met) to recognise changes in fair value through other comprehensive income. The fair value movements recognised in other comprehensive income are never reclassified to profit and loss, even if the asset is impaired, sold or otherwise derecognised.

(iv) Trade receivables

Trade receivables are initially recognised at 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 unrecognized firm commitment ('fair value hedge');
- a hedge of a highly probable forecast transaction or firm commitment ('cash flow hedge'); or
- a hedge of a net investment in a foreign operation ('net investment hedge').

Fair value hedges

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry being recorded in the income statement. Gains or losses from remeasuring the corresponding hedging instrument are recognised in the same line of the income statement.

Cash flow hedges

Changes in the effective portion of the fair value of derivatives that are designated as hedges of future cash flows are recognised directly in other comprehensive income, with any ineffective portion being recognised immediately in the income statement where relevant. If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of a non-financial asset or liability, then, at the time it is recognised, the associated gains or losses on the derivative that had previously been deferred in equity are included in the initial measurement of the non-financial asset or liability. For hedges that result in the recognition of a financial asset or liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Net investment hedges

Where the Group hedges net investments in foreign operations through foreign currency borrowings or lease liabilities, the gains or losses on retranslation are recognised in other comprehensive income. If the Group uses derivatives as the hedging instrument, the effective portion of the hedge is recognised in other comprehensive income, with any ineffective portion being recognised immediately in the income statement. Gains and losses accumulated in equity are recycled through the income statement on disposal of the foreign operation.

In order to qualify for hedge accounting, the Group documents in advance the risk management objective and strategy for undertaking the hedge and the relationship between the item being hedged and the hedging instrument. The Group also documents and demonstrates an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis and provides an analysis of the sources of hedge ineffectiveness. The effectiveness testing is performed at half year and year end or upon a significant change in circumstances affecting the hedge effectiveness requirements.

Notes to the consolidated financial statements continued

2 Principal accounting policies continued

(vii) Derivatives and hedge accounting continued

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument is retained in equity until the highly probable forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss deferred in equity is transferred to the income statement.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts, and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

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, right-of-use assets and intangible assets are not depreciated once classified as held for sale. The Group ceases to use the equity method of accounting from the date on which an interest in a joint venture or an interest in an associate becomes classified as held for sale.

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.

Lease liability discount rates has been added as requiring judgement following the adoption of IFRS 16 'Leases', due to the significance of the liabilities (and corresponding right-of-use assets) brought on to the balance sheet.

Restructuring provisions have been removed as a source of estimation uncertainty, reflecting the replacement of onerous lease provisions by lease liabilities following the adoption of IFRS 16 'Leases'. Residual restructuring provisions relate principally to the cost of people change, which are subject to a lower level of estimation uncertainty.

Impairment of goodwill has been removed as a source of estimation uncertainty based on management's assessment that a reasonably possible change in the assumptions used in the value-in-use calculations would not cause the carrying amounts of the UK, France and Poland CGUs to exceed their recoverable amounts. The remaining goodwill balance, which relates to the Romania business, is not material to the Group's financial statements.

Going concern has been added as a critical judgement, following the unprecedented circumstances that have arisen since the outbreak of the Covid-19 pandemic.

Sources of estimation uncertainty

Inventories

As inventories are carried at the lower of cost and net realisable value, significant judgement is required in estimating the eventual sales price of goods to customers in the future, as well as assessing which items may be slow-moving or obsolete. This ultimately influences the level of provisions recorded. The continued rationalisation of the stock keeping units offered across the group, range reviews and resulting clearance activity adds additional complexity to assessing the level of inventory that may become obsolete and the expected net realisable value of inventory which will be sold.

The 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.

Impairment of property, plant & equipment

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

Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount of an asset or a cash generating unit is determined as the higher of fair value less costs to sell and value-in-use.

The determination of fair value less costs to sell for store assets is subject to estimates and assumptions around a number of factors including property yields and rental assumptions.

The determination of value-in-use for store assets requires the estimation of future cash flows expected to arise from the continuing operation of the store and the determination of suitable discount and long-term growth rates in order to calculate the present value of the forecast cash flows. Sales projections take into consideration both external factors such as market expectations, and internal factors such as trading plans. For certain stores, they assume sales increases that are higher than recent experience and market growth expectations, driven by an improved and differentiated offer. 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. Actual outcomes could vary significantly from these estimates and sensitivity analyses are undertaken to assess the impact of projected benefits not being realised.

During the year, the Group has recorded significant impairments, principally relating to underperforming stores in France, the UK, Russia, Romania and Iberia. Impairments have been recognised where their carrying amounts exceeded their recoverable amounts. Further impairments were also recorded for Russia on classification of the business as held for sale, reflecting anticipated net proceeds under the planned sale. Further information is given in notes 5 and 14.

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

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

Judgement is required in determining whether an item should be classified as an exceptional item or included within adjusted results.

The Group's definition of exceptional items is outlined in note 2 (a). During the year the Group has recorded, before taxation, exceptional items of £44.1m. The exceptional items primarily relate to store closure programmes, impairments of store and IT assets and settlement of historic tax disputes. Refer to note 5 for further information on exceptional items.

Income taxes

The Group is subject to income taxes in numerous jurisdictions in which it operates and there are many transactions for which the ultimate tax determination is open to differing interpretations during the ordinary course of business. Significant judgement may therefore be required in determining the 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 judgements are continually reassessed, and where the final outcome of these matters is different from the initially recorded amount, such differences will impact the income tax and deferred tax 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 35 for further information.

During the year, the Group concluded a final settlement with the French Tax Authority (FTA) regarding the treatment of interest paid since 2009/10, which had been disclosed as a contingent liability in the prior year. Estimates have continued to be required around the European Commission's state aid investigation into the Group Financing Exemption section of the UK controlled foreign company rules, for which further details are given in note 35.

Lease liabilities – Discount rates

Judgement is applied to the calculation of incremental borrowing rates for lease contracts. Given that risk-free rates such as government bonds are based on specified terms, the range of lease terms in the Group's portfolio has required the Group to apply judgement in selecting appropriate risk-free rates to apply. Additionally, the application of financing spreads, which are specific to operating companies, requires a judgement over the credit quality of those companies. Given that the Group has applied the full

retrospective approach to IFRS 16, these judgements have been applied in the calculation of historical discount rates. The Group expects to continue to apply judgement to the calculation of incremental borrowing rates.

Going concern

Based on the Group's liquidity position and cash flow projections, including a forward looking Covid-19 scenario, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The impacts of Covid-19 have been considered as part of the Group's assessment of post balance sheet events (see note 38). The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 28 to 35. The principal risks of the Group are set out on pages 36 to 45. In addition, note 24 includes the Group's financial risk management objectives and exposures to liquidity and other financial risks. The directors have considered these areas alongside the principal risks and how they may impact going concern, the assessment of which is considered to be a critical accounting judgement.

Further details, including the analysis performed and conclusions reached, are set out below.

Overview

In line with the FCA's statement on 26 March 2020 announcing temporary relief measures for corporate reporting during the Covid-19 crisis, the Directors decided to make appropriate use of the time available within regulatory deadlines to ensure accurate and carefully prepared disclosures. This allowed the Directors to assess the day-to-day changes in events within the Group's markets, gather further information on the expected duration of the measures that governments are taking to contain the crisis and review and refine planning assumptions accordingly.

In determining whether the Group's accounts can be prepared on a going concern basis, the Directors considered the Group's business activities together with factors likely to affect its performance and financial position.

These factors included governments' categorisation, under Covid-19 regulations, of the Group's activities as 'essential' in its largest markets, actual trading performance during periods in which stores were closed or not operating under normal trading conditions, expectations of the future economic environment, the impact of mitigation actions and government support measures, available liquidity as well as the other principal risks associated with the business's ongoing operations.

The key judgements in relation to this assessment are the likelihood and impact of a potential resurgence of the Covid-19 pandemic and the more durable impact of Covid-19 on the economy and household spending in the markets in which the Group operates. In informing these judgements, the Directors considered trading since the beginning of the financial year and especially during periods of lockdown restrictions, mitigation actions available, the current outlook for the business in addition to an unlikely future Covid-19 worst case scenario, and finally a 'reverse stress test' scenario which is described in further detail below.

Operational and business impact risk assessment

Under Covid-19 regulations, the Group's stores in the UK and France have been categorised as 'essential' and reopened after a period of trialling alternative operating models and introducing safe operating procedures. More specifically:

Notes to the consolidated financial statements continued

3 Critical accounting estimates and judgements continued

- In the UK, management, with the support of the Directors, took the decision to close all B&Q and Screwfix stores to customers for browsing and in-store purchasing on 23 March. This decision was made to allow the teams to establish safe store operating protocols to protect customers and colleagues. To ensure the continued supply of essential goods, from 24 March, the two entities introduced a contactless click & collect service for customers, initially for essential products only, alongside a home delivery service. The stopping of in-store trading led to a significant drop in revenue at B&Q only somewhat mitigated by higher click & collect and home delivery income. The impact at Screwfix was more limited given its already high proportion of click & collect business.
- On 17 April, B&Q trialed the reopening of 14 B&Q stores. Following the success of this trial, B&Q progressively reopened further stores, with nearly all stores reopened by the beginning of May. All stores have traded very strongly since reopening. Screwfix continued to successfully offer a contactless click & collect service until the second week of May, when it introduced new customer journeys and processes within stores. Trading at Screwfix, which was much less impacted by store closures, further improved from the end of April.
- In France, all Castorama and Brico Depot stores were closed from 15 March. A contactless click & collect service via 'drive through' was gradually introduced from 23 March, alongside a home delivery service and the opening up of stores' external building materials yard, which mitigated somewhat the significant drop in revenue. From 24 April, stores in France were gradually reopened and by 11 May all stores were again accessible to customers. As in the UK, trading since reopening has been very positive.

The Group's stores in Poland, Romania and Portugal remained open throughout the period during which strict confinement rules were in place. While revenue was impacted during the time that stricter social distancing rules were applicable, trading levels quickly recovered and have been very positive since the beginning of May.

Stores in Ireland, Spain and Russia were closed for browsing by the public under lockdown rules in those countries, but operated home delivery and / or click & collect services. Stores in Ireland reopened on 18 May. Normal activity started to resume on 25 May in Spain and Russia, with a gradual reopening of stores.

Currently, nearly all of the Group's stores are open for in-store purchasing.

The designation as an 'essential retailer' in the Group's largest markets, coupled with the successful operation of stores while adhering to strict social distancing and safety procedures, indicate that the Group would be able to mitigate the negative impact on sales of stricter confinement rules that could be reintroduced in the event of a resurgence of the Covid-19 pandemic.

Financial impact risk assessment

As a result of Covid-19, in the third week of March, Group like-for-like (LFL) sales dropped by (22.9)% compared to a similar period in the prior year, as stores closed in France and stricter social distancing rules were applied in Poland. This drop increased to (59.1)% in the next week, after the introduction of confinement measures in the UK.

April started with a weekly decline of (74.0)%, recovering to (17.5)% by the end of the month, following the expansion of click & collect and home delivery services, the gradual reopening of stores and the easing of regulations in those countries where we continued to trade throughout.

The month of May has seen consistently strong trading with year on year LFL growth of +2.7% in the first week increasing to +26.7% in the final week of the month as stores were reopened and services and opening hours expanded.

LFL sales for the full month of May are +14.3% and year to date May LFL sales are (14.0)% lower.

The Group's net cash outflow, representing the net change in cash at bank excluding physical cash in tills and cash in transit and excluding drawdown on Revolving Credit Facilities (RCFs), from 1 February up to the first week of May was c.£(250)m. This reflected reduced sales over the preceding seven weeks, along with significant payments to suppliers during this period for orders made prior to the coronavirus crisis (in anticipation of the Company's usual peak trading period). The negative cash flow was covered by drawing down our RCFs of £225m and £550m. With the turnaround in sales, the Group has more than compensated the cash outflow up to the beginning of May. The cumulative cash inflow between 1 February and 12 June 2020 was c.£730m (representing net change in cash at bank excluding physical cash in tills and cash in transit and excluding receipts or repayments of liquidity arrangements). The drawn RCFs were fully repaid in May.

While trading continues to be exceptionally strong on a year on year basis since early May, in forming their outlook on future financial performance, the Directors considered the normalisation of store traffic and average spend levels, the risk of higher business volatility and the negative impact of the general economic environment on household and trade spend. The Directors also considered that the business would continue to benefit from continued cost reduction measures, lower levels of investment and an ongoing focus on working capital.

Forward looking Covid-19 worst case scenario

In addition to their outlook for the financial performance of the Group, the Directors also reviewed a downside 'worst case' scenario for Covid-19. This Covid-19 worst case scenario assumes a return of stricter confinement rules following a period of easing, followed by a prolonged period to return to normal trading levels. It also assumes an ongoing negative effect on sales from economic disruption. The impact on sales, taking the Group's original budget for 2020/21 as a basis, would be as follows:

- A 25% decline in Group sales over a period of 8 weeks starting in late summer of 2020 (total impact of approximately £(450)m). While the Group has shown that its stores can remain open to the public by adhering to comprehensive social distancing measures, a return to stricter rules could reduce traffic to stores that may not be compensated by higher average spend per customer. The percentage decline is in line with the revenue drop seen in stores that remained open throughout the past period of strict confinement;
- A gradual recovery, with a Group sales decline of between (10)% and (5)% up to January 2021; and
- Ongoing pressure on sales for the remaining period to June 2021.

The Covid-19 worst case scenario would result in approximately £1bn lower sales over the 12 month going concern period compared to a similar 12 month period of the budget for 2020/21.

Given current trading and expectations for the business, the Directors believe that this scenario reflects an unlikely worst case outcome for the Group.

Further downside sensitivities were applied to the Covid-19 scenario. These sensitivities extended the length of time during which strict social distancing measures would be in place and increased the depth of the impact on sales. In particular, the Directors reviewed a reverse stress test scenario that models the decline in sales that the Group would be able to absorb before requiring additional sources of financing, over and above what is currently guaranteed.

The decline in sales would be around £4bn over a 12 month period compared to a similar 12 month period of the original budget for 2020/21. The financing sources used in this scenario would be the €600m (c.£535m) term facility with three French banks, £600m of the UK Government's Covid Corporate Financing Facility (CCFF) funds and, for a limited time, part of the Group's RCFs that contain a financial covenant. If such a scenario would occur, the Group would take additional mitigation actions, including further initiatives on cost and cash and negotiating a waiver or relaxation of the financial covenant of its RCFs and term loan. This scenario, including the events that could lead to it, was considered to be remote.

Mitigating actions

The mitigating actions available to the Group, either already utilised or which could be (re)implemented are as follows:

- Cost savings, including through store operating efficiencies (adjustment of store variable costs, maintenance and store opening hours), reduction in discretionary costs (marketing and advertising, consumables and other goods not for resale spend, travel) and freezing of pay and recruitment;
- Reducing inventory purchases by adjusting purchasing plans beyond the automatic reductions from lower sales;
- Limiting capital expenditure to the minimum required under contractual or legal obligations or for health and safety purposes;
- Optimising working capital by negotiating longer payment terms for rental and supplier payments, while continuing to pay all suppliers in full and according to contractual payment terms;
- Benefiting from government support programmes as far as these are maintained or reintroduced, such as business rates relief in the UK (Kingfisher's annual business rates bill for retail premises in the UK is estimated at £140m); furloughing schemes in the UK, France, Spain and Romania and government allowances for deferring direct and indirect tax and social security payments; and
- Continuing to cease dividend payments. The cash cost of the final 2018/19 dividend and the interim 2019/20 dividend was £227m in total. To date the Board has not proposed a final dividend for 2019/20 and intends to consider the appropriateness, quantum and timing of future dividend payments when it has a clearer view of the scale and duration of the impact of Covid-19 on the business.

Financing actions

As at 31 January 2020, the Group had cash and cash equivalents (including amounts held for sale) of £195m.

To further protect the Group against extended lockdown measures and deeper periods of disruption than anticipated, the Group secured access to additional funding arrangements.

On 18 May 2020, the Group drew on a €600m (c.£535m) term facility with three French banks. This loan is guaranteed at 80% by the French State ('Prêt garanti par l'État') and has a maturity of one year, extendable for up to five years.

The Group also confirmed its eligibility under the UK Government's CCFF and on 12 June issued 11-month Commercial Paper for £600m under this programme, the maximum amount under its allocated issuer limit. These funds will have to be repaid by 12 May 2021 at the latest. Through issuing the Commercial Paper, this source of finance is committed and can be included in the Group's going concern assessment. Due to the terms of eligibility of the CCFF programme, the Group is unable to rely on eligibility alone in its going concern assessment.

While the Directors do not believe that this additional liquidity is needed even under the worst case Covid-19 scenario, the additional liquidity could be required should the impact of the pandemic on trading conditions be significantly more prolonged or severe.

The Group has also agreed an additional RCF of £250m with a syndicate of its relationship banks. This facility is currently undrawn and expires in May 2021.

These additional funding arrangements complement the already available two RCFs totalling £775m. The RCFs expire in March 2022 (£225m) and August 2022 (£550m). The two RCFs are currently undrawn.

The Group has a number of financing facilities, including the three RCFs, that require the Group to maintain an interest cover ratio that is tested semi-annually. The terms of these financing facilities require that the ratio of Group operating profit (excluding exceptional items) to net interest payable (excluding interest on IFRS 16 lease liabilities) must be no less than 3:1 for the preceding 12 months as at the half and full year ends. At the date of this report, the Group is in compliance with its financial covenant and expects to remain compliant even under the forecast Covid-19 worst case scenario over the going concern period.

As a result of the strong sales since the beginning of May and the drawings under the French and UK Government facilities, at 12 June 2020 the Group had access to over £3bn in total liquidity, including cash and cash equivalents of c.£2bn and access to over £1bn of funding under the RCFs.

Going concern basis

Considering the above, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For these reasons, the Directors consider it appropriate for the Group to continue to adopt the going concern basis of accounting in preparing the annual financial statements. Should the impact of the pandemic be more prolonged or severe than currently forecast by the Directors under the reverse stress test scenario, the Group would need to implement additional operational or financial measures.

Notes to the consolidated financial statements continued

4 Segmental analysis

Income statement

£ millions	2019/20				Total
	UK & Ireland	France	Other International		
			Poland	Other	
Sales	5,112	4,082	1,461	858	11,513
Retail profit/(loss)	499	164	151	(28)	786
Central costs					(62)
Share of interest and tax of joint ventures and associates					(7)
Exceptional items					(434)
Operating profit					283
Net finance costs					(180)
Profit before taxation					103

£ millions	2018/19 restated (see below)				Total
	UK & Ireland	France	Other International		
			Poland	Other	
Sales	5,061	4,272	1,431	921	11,685
Retail profit/(loss)	498	183	167	(24)	824
Central costs					(69)
Share of interest and tax of joint ventures and associates (before exchange differences on lease liabilities)					(5)
Exchange differences on lease liabilities of joint ventures and associates					(3)
Exceptional items					(267)
Operating profit					480
Net finance costs					(180)
Profit before taxation					300

Reallocation of central support costs and transformation P&L costs

In recent years the Group has developed its offer, sourcing and supply chain organisations. The services and benefits provided to each of Kingfisher's retail banners have evolved over time. Consequently, management has updated its assessment of how the Group's centrally-incurred costs are most appropriately allocated across the businesses. Although neutral at a Group retail profit level, this has resulted in a change to retail profit by geography for FY 19/20, with the principal effect of more costs being allocated to Poland and less to the UK & Ireland. The 2018/19 comparatives have been restated on a consistent basis.

As set out in note 2, 2018/19 comparatives have also been restated for the reallocation of transformation P&L costs to Retail profit and Central costs. This has reduced the reported segment Retail profits and increased reported Central costs.

The impacts of IFRS 16 'Leases' and the reallocation of central support costs and transformation P&L costs on the 2018/19 segmental analysis income statement comparatives are set out below:

£ millions	2018/19					
	As previously reported (IAS 17)	Impact of IFRS 16 (note 37)	As previously reported (IFRS 16)	Impact of central support cost reallocation	Impact of transformation P&L cost reallocation	Restated
Sales	11,685	-	11,685	-	-	11,685
UK & Ireland	399	131	530	13	(45)	498
France	209	12	221	-	(38)	183
Poland	181	4	185	(10)	(8)	167
Other	(36)	24	(12)	(3)	(9)	(24)
Retail profit	753	171	924	-	(100)	824
Central costs	(49)	-	(49)	-	(20)	(69)
Share of interest and tax of joint ventures and associates (before exchange differences on lease liabilities)	(4)	(1)	(5)	-	-	(5)
Exchange differences on lease liabilities of joint ventures and associates	-	(3)	(3)	-	-	(3)
Exceptional items	(251)	(16)	(267)	-	-	(267)
Transformation P&L costs	(120)	-	(120)	-	120	-
Operating profit	329	151	480	-	-	480
Net finance costs	(7)	(173)	(180)	-	-	(180)
Profit before taxation	322	(22)	300	-	-	300

Balance sheet

£ millions	2019/20				Total
	UK & Ireland	France	Other International		
			Poland	Other	
Segment assets	2,989	1,715	855	488	6,047
Central liabilities					(135)
Goodwill					2,416
Net debt					(2,526)
Net assets					5,802

£ millions	2018/19 restated (note 37)					Total
	UK & Ireland	France	Other International			
			Poland	Other		
Segment assets	3,062	1,865	791	697	6,415	
Central liabilities					(160)	
Goodwill					2,436	
Net debt					(2,542)	
Net assets					6,149	

Other segmental information

£ millions	2019/20					Total
	UK & Ireland	France	Other International		Central	
			Poland	Other		
Capital expenditure	162	79	73	19	9	342
Depreciation and amortisation	306	137	39	45	18	545
Impairment losses	24	83	–	171	39	317
Impairment reversals	–	–	(2)	–	–	(2)
Non-current assets ¹	4,418	2,156	793	296	20	7,683

£ millions	2018/19 restated (note 37)					Total
	UK & Ireland	France	Other International		Central	
			Poland	Other		
Capital expenditure	116	87	53	57	19	332
Depreciation and amortisation	279	147	36	52	21	535
Impairment losses	85	75	6	27	11	204
Impairment reversals	–	–	(1)	(2)	–	(3)
Non-current assets ¹	4,421	2,309	777	598	44	8,149

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

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

The 'Other International' segment consists of Poland, Romania, Spain, Portugal, Germany, Russia 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 exceptional items. Central liabilities comprise unallocated head office and other central items including pensions, insurance, interest and tax.

Notes to the consolidated financial statements continued

5 Exceptional items

£ millions	2019/20	2018/19 restated (note 37)
Included within selling and distribution expenses		
UK & Ireland and continental Europe restructuring	(67)	(124)
Impairments of Russia assets and other exit costs	(130)	(15)
Impairments of Romania assets	(39)	-
Store asset write-downs	(118)	-
IT asset write-downs and related costs	(44)	(1)
B&Q store replenishment	-	(12)
Romania acquisition integration	-	(16)
France exceptional employee bonus	-	(6)
	(398)	(174)
Included within administrative expenses		
Transformation exceptional costs	(8)	(58)
Penalties on French Tax Authority settlement	(17)	-
France business tax	(26)	-
UK guaranteed minimum pension charge	-	(5)
	(51)	(63)
Included within other income/expenses		
Profit on disposal of properties	15	27
Impairments of properties held for sale	-	(57)
	15	(30)
Included within net finance costs		
Interest on French Tax Authority settlement	(7)	-
	(7)	-
Exceptional items before tax	(441)	(267)
French Tax Authority settlement	(51)	-
Other exceptional tax items	92	63
Exceptional items	(400)	(204)

Current year exceptional items include a £67m net restructuring charge principally relating to redundancy costs following formal consultation with employee representatives regarding the Group's plans to close 11 stores in France and 19 Screwfix Germany outlets.

The Group announced the decision to exit Russia in November 2018 and has recorded exceptional costs of £130m in the current year relating to this business, representing both underlying store asset write-downs, and additional impairments recorded on classification of the business as held for sale that reflect anticipated net proceeds under the planned sale, and other exit costs.

Impairments of £39m have been recorded on goodwill and certain store assets relating to the Romania business. This has arisen due to a revision in future projections for the business following continued trading losses.

As a result of 2019/20 performance, we have revised future projections for a number of stores across the Group's portfolio. This, combined with reduced freehold property valuations, has resulted in the recognition of £118m of asset write-downs in the year (excluding Russia & Romania), principally relating to impairments of freehold and leasehold properties. These impairments have been recorded principally in Castorama France, but also include B&Q in the UK and Iberia.

IT asset write-downs and related costs of £44m relate principally to impairments of IT intangible assets under development, mainly reflecting modules of the unified IT platform and digital tools for which no further development is currently planned.

In February 2018, the Group commenced formal consultation with employee representatives regarding its plans in France to restructure the business as part of the Group's transformation plan. Additional transformation exceptional costs of £8m have been recorded in the current year relating to the restructuring plan.

During the year, the Group concluded a final settlement with the French Tax Authority (FTA) regarding the treatment of interest paid since 2009/10. A contingent liability for €101m (£92m) had been disclosed in the 2019/20 interim condensed financial statements with respect to this matter related to the periods 2009/10 to 2011/12. At the end of the third quarter of 2019/20, Kingfisher was given the opportunity by the FTA to settle for all periods under review (2009/10 to 2018/19), and subsequent discussions held with the FTA resulted in a comprehensive settlement. A cash payment of £75m was made in the final quarter of 2019/20 and recorded as an exceptional charge, comprising £51m of tax, £7m of interest and £17m of penalties (with the latter recognised in operating profit). A provision of £26m has also been recognised in operating profit for an uncertain position in relation to a multi-year business tax in France.

A profit of £15m has been recorded on the disposal of properties in the UK and France.

Other exceptional tax items include a £35m non-cash release of a provision on settlement of a case in Hong Kong.

6 Net finance costs

£ millions	2019/20	2018/19 restated (note 37)
Bank overdrafts and bank loans	(22)	(15)
Fixed term debt	(4)	(3)
Lease liabilities	(165)	(174)
Exchange differences on lease liabilities	–	(4)
Unwinding of discount on provisions	–	(2)
Capitalised interest	3	2
Other interest payable	(3)	–
Exceptional interest on French Tax Authority settlement	(7)	–
Finance costs	(198)	(196)
Cash and cash equivalents and short-term deposits	10	9
Net interest income on defined benefit pension schemes	7	4
Finance lease income	1	3
Finance income	18	16
Net finance costs	(180)	(180)

Fixed term debt interest includes a net interest charge accrued on derivatives of £1m (2018/19: £2m income) and amortisation of issue costs of borrowings of £1m (2018/19: £1m).

Financing fair value remeasurements comprise a net loss on derivatives, excluding accrued interest, of £17m (2018/19: £18m gain), offset by a net gain from fair value adjustments to the carrying value of borrowings and cash of £17m (2018/19: £18m loss).

7 Profit before taxation

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

£ millions	2019/20	2018/19 restated (note 37)
Research and development recognised as an expense	1	7
Amortisation of intangible assets ¹	72	60
Depreciation of property, plant and equipment, investment property and right of use assets	473	475
Impairment of goodwill	18	–
Impairment of intangible assets	39	11
Impairment of property, plant and equipment and right-of-use assets	260	193
Reversal of impairment of property, plant and equipment	(2)	(3)
(Gain)/loss on disposal:		
Land and buildings and investment property	(12)	(27)
Fixtures, fittings and equipment	2	4
Sale and leasebacks	(3)	–
Write down to recoverable value of trade and other receivables	6	1

1. Of the amortisation of intangible assets charge, £1m (2018/19: £1m) and £71m (2018/19: £59m) are included in selling and distribution expenses and administrative expenses respectively.

Auditor's remuneration

£ millions	2019/20	2018/19
Fees payable for the audit of the Company and consolidated financial statements	0.8	0.5
Fees payable to the Company's auditor and their associates for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation	1.4	1.4
Audit fees	2.2	1.9
Audit-related assurance services	0.1	0.1
Other assurance services	0.1	0.2
Non-audit fees	0.2	0.3
Auditor's remuneration	2.4	2.2

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

Notes to the consolidated financial statements continued

8 Employees and directors

£ millions	2019/20	2018/19
Wages and salaries	1,444	1,431
Social security costs	271	278
Post-employment benefits		
Defined contribution	34	23
Defined benefit (service cost)	10	13
Share-based compensation	11	15
Employee benefit expenses	1,770	1,760

Number thousands	2019/20	2018/19
Stores	72	73
Administration	6	6
Average number of persons employed	78	79

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

Remuneration of key management personnel

£ millions	2019/20	2018/19
Short-term employee benefits	7.1	7.7
Post-employment benefits	0.5	0.6
Termination benefits	0.6	–
Share-based compensation	(2.1)	3.8
	6.1	12.1

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 68 to 93. Other than as set out in the Directors' Remuneration Report, there have been no transactions with key management during the year (2018/19: £nil).

9 Income tax expense

£ millions	2019/20	2018/19 restated (note 37)
UK corporation tax		
Current tax on profits for the year	(57)	(52)
Adjustments in respect of prior years	(5)	(1)
	(62)	(53)
Overseas tax		
Current tax on profits for the year	(46)	(66)
Adjustments in respect of prior years	(6)	7
	(52)	(59)
Deferred tax		
Current year	20	30
Adjustments in respect of prior years	–	(25)
Adjustments in respect of changes in tax rates	(1)	–
	19	5
Income tax expense	(95)	(107)

Factors affecting tax charge for the year

The tax charge for the year differs from the standard rate of corporation tax in the UK of 19% (2018/19: 19%). The differences are explained below:

£ millions	2019/20	2018/19 restated (note 37)
Profit before taxation	103	300
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018/19: 19%)	(20)	(57)
Net expense not deductible for tax purposes	(66)	(19)
Temporary differences:		
Losses not recognised	(10)	(14)
Foreign tax rate differences	13	2
Adjustments in respect of prior years	(11)	(19)
Adjustments in respect of changes in tax rates	(1)	–
Income tax expense	(95)	(107)

The adjusted effective tax rate, based on profit before exceptional items and excluding prior year tax adjustments and the impact of changes in tax rates on deferred tax, is 26% (2018/19: 27%). Exceptional tax items for the year amount to a net credit of £41m, with a £20m charge relating to prior year items (2018/19: £63m credit, none of which related to prior year items). The effective tax rate calculation is set out in the Financial Review on pages 28 to 35.

The overall effective tax rate for the year is 92% (2018/19: 36%). This predominately reflects the exceptional tax charge related to the settlement with the French Tax Authority alongside the applicable tax treatment of exceptional profit and loss items. These have been offset by a release of prior year tax provisions which reflect a reassessment of expected outcomes, agreed positions with tax authorities and items that have time expired.

In addition to the amounts charged to the income statement, tax of £16m has been debited directly to equity (2018/19: £48m debit) of which a £5m credit (2018/19: £4m credit) is included in current tax and a £21m debit (2018/19: £52m debit) is included in deferred tax and principally relates to post-employment benefits.

Changes in tax rates

The UK corporation tax rate was legislated to fall from 19% to 17% from 1 April 2020 and its effect is reflected in these financial statements. However, following the UK Budget announcement on 11 March 2020, the reduction was repealed in the Finance Bill 2019–21 and the 19% rate has been maintained. As this rate change had not been substantively enacted by the balance sheet date, the impact is not included in these financial statements. Were the 19% tax rate in force, the effect would be to reduce the net deferred tax liability as reported by £9m.

The tax rate in France was previously legislated to fall to 32.02% in the current year for all companies. However, the 2019 Finance Bill retrospectively postponed this reduction for large companies, with a 34.43% tax rate maintained. The revised legislation still progressively reduces the applicable rate in France for large companies to 25.83% by 2022/23, but at a slower rate. The intervening rates applicable will now be 32.02% (2020/21) and 28.41% (2021/22). These accounts reflect these enacted future rates, where appropriate.

Notes to the consolidated financial statements continued

10 Earnings per share

	2019/20			2018/19 restated (note 37)		
	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	8	2,101	0.4	193	2,129	9.1
Effect of dilutive share options	–	13	–	–	11	(0.1)
Diluted earnings per share	8	2,114	0.4	193	2,140	9.0
Basic earnings per share	8	2,101	0.4	193	2,129	9.1
Exceptional items before tax	441		21.0	267		12.6
Tax on exceptional and prior year items	(49)		(2.3)	(44)		(2.1)
Exchange differences on lease liabilities	–		–	7		0.3
Tax on exchange differences on lease liabilities	–		–	(2)		(0.1)
Adjusted basic earnings per share	400	2,101	19.1	421	2,129	19.8
Diluted earnings per share	8	2,114	0.4	193	2,140	9.0
Exceptional items before tax	441		20.9	267		12.6
Tax on exceptional and prior year items	(49)		(2.3)	(44)		(2.1)
Exchange differences on lease liabilities	–		–	7		0.3
Tax on exchange differences on lease liabilities	–		–	(2)		(0.1)
Adjusted diluted earnings per share	400	2,114	19.0	421	2,140	19.7

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	2019/20	2018/19
Dividends paid to equity shareholders of the Company		
Ordinary interim dividend for the year ended 31 January 2020 of 3.33p per share (31 January 2019: 3.33p per share)	70	71
Ordinary final dividend for the year ended 31 January 2019 of 7.49p per share (31 January 2018: 7.49p per share)	157	160
	227	231

The Directors propose no final dividend for the year ended 31 January 2020.

12 Goodwill

£ millions

Cost	
At 1 February 2019	2,451
Exchange differences	(2)
At 31 January 2020	2,449
Impairment	
At 1 February 2019	(15)
Charge for the year	(18)
At 31 January 2020	(33)
Net carrying amount	
At 31 January 2020	2,416

Cost	
At 1 February 2018	2,452
Exchange differences	(1)
At 31 January 2019	2,451
Impairment	
At 1 February 2018	(15)
At 31 January 2019	(15)
Net carrying amount	
At 31 January 2019	2,436

An impairment loss of £18m has been recognised at the year end relating to the Romania business, which forms part of the 'Other International' operating segment. This has arisen due to a revision in future projections for the business following continued trading losses.

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 2020					
Cost	1,796	522	81	50	2,449
Impairment	–	–	–	(33)	(33)
Net carrying amount	1,796	522	81	17	2,416
At 31 January 2019					
Cost	1,796	523	81	51	2,451
Impairment	–	–	–	(15)	(15)
Net carrying amount	1,796	523	81	36	2,436

Notes to the consolidated financial statements continued

12 Goodwill continued

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

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

Assumptions

The cash flow projections are based on approved strategic plans covering at least a three-year period. These are based on both past performance and expectations for future market development. The projections reflect certain benefits, including creating an improved digital offer and optimising operational efficiency. For further details, refer to the Strategic Report on pages 1 to 47.

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. They assume sales increases in each country that are higher than recent experience and market growth expectations, driven by an improved digital offer and local OpCo trading initiatives. 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 the period of the strategic plans 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 and does not consider that a reasonably possible change in the assumptions used in the value-in-use calculations would cause the carrying amounts of the UK, France and Poland CGUs to exceed their recoverable amounts.

The pre-tax discount rates are derived from the Group's weighted average cost of capital, taking into account the cost of equity and debt, to which specific market-related premium adjustments are made for each country in which the CGU operates.

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

Annual % rate	2019/20				2018/19			
	UK	France	Poland	Romania	UK	France	Poland	Romania
Pre-tax discount rate	8.3	7.5	9.3	9.8	8.7	7.5	8.8	11.8
Post-tax discount rate	7.2	6.0	8.1	9.1	7.7	6.3	7.8	10.7
Long-term growth rate	2.0	1.5	3.2	3.8	3.0	2.8	3.6	3.6

Refer to note 38 for further information on the estimated impacts of Covid-19 on impairments to goodwill after the balance sheet date.

13 Other intangible assets

£ millions	Computer software	Other	Total
Cost			
At 1 February 2019	700	15	715
Additions	78	3	81
Disposals	(31)	–	(31)
Exchange differences	(2)	(1)	(3)
At 31 January 2020	745	17	762
Amortisation			
At 1 February 2019	(334)	(10)	(344)
Charge for the year	(71)	(1)	(72)
Impairment losses	(39)	–	(39)
Disposals	31	–	31
Exchange differences	1	–	1
At 31 January 2020	(412)	(11)	(423)
Net carrying amount			
At 31 January 2020	333	6	339
Cost			
At 1 February 2018	643	15	658
Additions	88	–	88
Disposals	(30)	–	(30)
Exchange differences	(1)	–	(1)
At 31 January 2019	700	15	715
Amortisation			
At 1 February 2018	(294)	(9)	(303)
Charge for the year	(59)	(1)	(60)
Impairment losses	(11)	–	(11)
Disposals	29	–	29
Exchange differences	1	–	1
At 31 January 2019	(334)	(10)	(344)
Net carrying amount			
At 31 January 2019	366	5	371

Additions in the current and prior year primarily related to the development of IT infrastructure for the benefit of the Group. This included the unified IT platform, which is amortised over its estimated useful life of 10 years as it becomes available for use in the operating companies.

Impairments of £39m have been recognised relating to IT intangible assets under development, mainly reflecting modules of the unified IT platform and digital tools for which no further development is currently planned.

Computer software includes £202m (2018/19: £233m) of internally generated development costs. None of the Group's other intangible assets have indefinite useful lives.

Notes to the consolidated financial statements continued

14 Property, plant and equipment

	2019/20		
£ millions	Land and buildings	Fixtures, fittings and equipment	Total
Cost			
At 1 February 2019	2,896	2,836	5,732
Additions	49	194	243
Disposals	(13)	(42)	(55)
Transfers to assets held for sale	(225)	(41)	(266)
Exchange differences	(69)	(44)	(113)
At 31 January 2020	2,638	2,903	5,541
Depreciation			
At 1 February 2019	(466)	(1,964)	(2,430)
Charge for the year	(38)	(158)	(196)
Impairment reversals	2	–	2
Impairment losses	(143)	(40)	(183)
Disposals	6	35	41
Transfers to assets held for sale	140	33	173
Exchange differences	16	24	40
At 31 January 2020	(483)	(2,070)	(2,553)
Net carrying amount			
At 31 January 2020	2,155	833	2,988
			2018/19 restated (note 37)
£ millions	Land and buildings	Fixtures, fittings and equipment	Total
Cost			
At 1 February 2018	3,035	2,731	5,766
Additions	92	156	248
Disposals	(67)	(40)	(107)
Transfers to assets held for sale	(132)	–	(132)
Exchange differences	(32)	(11)	(43)
At 31 January 2019	2,896	2,836	5,732
Depreciation			
At 1 February 2018	(404)	(1,826)	(2,230)
Charge for the year	(31)	(157)	(188)
Impairment reversals	2	1	3
Impairment losses	(109)	(25)	(134)
Disposals	8	37	45
Transfers to assets held for sale	63	–	63
Exchange differences	5	6	11
At 31 January 2019	(466)	(1,964)	(2,430)
Net carrying amount			
At 31 January 2019	2,430	872	3,302
Assets in the course of construction included above at net carrying amount			
At 31 January 2020	23	84	107
At 31 January 2019	64	81	145

Net impairment losses of £181m have been recorded in the year (2018/19: £131m). Current year impairment losses principally relate to write-downs of store property assets in the UK, France and Romania, as well as the impairment of Russia assets classified as held for sale. Store asset write-downs 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. The impairments of Russia assets were based on fair value less costs to sell of the business following its classification as held for sale at 31 January 2020. Refer to note 33 for further information.

For store property assets, the following reasonably possible changes in assumptions upon which the recoverable amount was estimated, would lead to the following additional impairments being recorded:

Assumption	Change in assumption	Impact on impairment
Operating cash flows	Decrease by 10%	Increase by £19m
Discount rate	Increase by 1%	Increase by £27m
Long-term growth rate	Decrease by 1%	Increase by £24m

The cumulative total of capitalised borrowing costs included within property, plant and equipment, net of depreciation, is £17m (2018/19: £29m).

The Group does not revalue properties within its financial statements. A valuation exercise is performed for internal purposes annually in October by independent external valuers. Based on this exercise the value of property is £2.8bn (2018/19: £3.3bn) on a sale and leaseback basis with Kingfisher in occupancy. The key assumption used in calculating this is the estimated yields. Property, plant and equipment market valuations are considered to have been determined by level 3 inputs as defined by the fair value hierarchy of IFRS 13, 'Fair value measurement'. A vacant possession valuation basis is used to approximate the fair value less costs to sell when reviewing for impairment.

Refer to note 38 for further information on the estimated impacts of Covid-19 on impairments to property, plant & equipment after the balance sheet date.

15 Leases

The Group is a lessee of various retail stores, offices, warehouses and plant and equipment under lease agreements with varying terms, escalation clauses and renewal rights. The Group is also a lessor and sub-lessor of space with freehold and leasehold properties respectively.

Right-of-use assets

£ millions	2019/20	2018/19
Land and buildings	1,829	1,931
Fixtures, fittings and equipment	87	86
Net carrying amount	1,916	2,017

£ millions	2019/20	2018/19
At beginning of the year	2,017	2,218
Additions ¹	303	177
Depreciation charge for the year	(277)	(287)
Impairment losses	(77)	(59)
Transfers to assets held for sale	(23)	(13)
Other movements	(8)	(13)
Exchange differences	(19)	(6)
At end of year	1,916	2,017

1. Right-of-use asset additions include new leases, lease renewals and increases in term and/or scope for existing leases.

Right-of-use asset impairments of £77m have been recorded following a revision in future projections for a number of poor performing stores. These impairments have been recorded principally in Castorama France, but also include Russia and Romania.

Refer to note 38 for further information on the estimated impacts of Covid-19 on impairments to right-of-use assets after the balance sheet date.

Amounts included in profit and loss

£ millions	2019/20	2018/19
Short term rentals	(45)	(45)
Sublease income	1	1
Gain loss on sale and leasebacks	3	-
Depreciation of right-of-use assets		
Land and buildings	(240)	(251)
Fixtures, fittings and equipment	(37)	(36)

Notes to the consolidated financial statements continued

15 Leases continued

Amounts recognised in the statement of cashflows

£ millions	2019/20	2018/19
Interest element of lease rental payments		
Property leases	(161)	(170)
Equipment leases	(4)	(4)
Principal element of lease rental payments		
Property leases	(283)	(276)
Equipment leases	(36)	(36)
Total cash outflow for leases	(484)	(486)

Maturity analysis of operating lease receivables

Undiscounted total future minimum rentals receivable under non-cancellable operating leases are as follows:

£ millions	2019/20	2018/19
Year 1	4	4
Year 2	4	4
Year 3	3	3
Year 4	3	3
Year 5	3	3
Year 6 and onwards	11	12
	28	29

Maturity analysis of finance lease receivables

The following table reconciles the undiscounted sublease rentals receivable under non-cancellable finance leases to the present value of sublease receivables as disclosed as part of trade and other receivables (note 19):

£ millions	2019/20	2018/19
Year 1	5	7
Year 2	5	7
Year 3	5	6
Year 4	4	6
Year 5	4	6
Year 6 and onwards	6	13
Total undiscounted sublease receipts receivable	29	45
Unearned finance income	(5)	(9)
Sublease receivables	24	36

Other lease disclosures

The maturity analysis of lease liabilities has been reflected in note 24 Financial risk management.

Lease arrangements under which rental payments are contingent upon sales, other performance or usage are not significant for the Group.

There are no corporate restrictions imposed by lease arrangements such as those concerning dividends, additional debt and further leasing.

Sale and leaseback transactions

During the year the group sold eight properties (2018/19: one) for total proceeds of £102m (2018/19: £37m) and leased them back for an average lease term of 15 years.

16 Investment property

£ millions

Cost	
At 1 February 2019	11
At 31 January 2020	11
Depreciation	
At 1 February 2019	(3)
At 31 January 2020	(3)
Net carrying amount	
At 31 January 2020	8

Cost	
At 1 February 2018	27
Disposals	(5)
Transfers to assets held for sale	(11)
At 31 January 2019	11

Depreciation	
At 1 February 2019	(7)
Transfers to assets held for sale	4
At 31 January 2019	(3)

Net carrying amount	
At 31 January 2019	8

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 £8m (2018/19: £9m). 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'.

17 Investments in joint ventures and associates

£ millions

	2019/20
At 1 February 2019	15
Share of post-tax results	3
Dividends	(1)
Exchange differences	(1)
At 31 January 2020	16

	2018/19 restated (note 37)
At 1 February 2018	19
Share of post-tax results	1
Dividends	(5)
At 31 January 2019	15

No goodwill is included in the carrying amount of investments in joint ventures and associates (2018/19: £nil).

Notes to the consolidated financial statements continued

17 Investments in joint ventures and associates continued

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:

£ millions	2019/20			2018/19 restated (note 37)		
	Joint ventures	Associates	Total	Joint ventures	Associates	Total
Non-current assets	13	2	15	16	2	18
Current assets	46	50	96	41	55	96
Current liabilities	(36)	(42)	(78)	(27)	(46)	(73)
Non-current liabilities	(16)	(1)	(17)	(26)	–	(26)
Share of net assets	7	9	16	4	11	15
Sales	121	4	125	119	11	130
Operating expenses	(112)	(3)	(115)	(110)	(11)	(121)
Operating profit	9	1	10	9	–	9
Net finance costs ²	(6)	–	(6)	(8)	–	(8)
Profit before taxation	3	1	4	1	–	1
Income tax expense	(1)	–	(1)	–	–	–
Share of post-tax results	2	1	3	1	–	1

2. Includes exchange differences on lease liabilities.

18 Inventories

£ millions	2019/20	2018/19
Finished goods for resale	2,485	2,574

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 2020 is £6,578m (2018/19: £6,700m). The carrying amount of inventories recognised on the balance sheet is subject to estimates around rates of provision applied to certain inventory items and is impacted by factors such as stock turn, range or delisted status, shrinkage, damage, obsolescence and range review activity. A 1% increase in the provision as a percentage of gross inventory (before provisions and a deduction for rebates), which based on the Group's knowledge represents a reasonably possible change, would result in a £27m decrease in the carrying amount of inventories (2018/19: £28m).

19 Trade and other receivables

£ millions	2019/20	2018/19 restated (note 37)
Non-current		
Prepayments	7	9
Property receivables	–	1
Sublease receivables	20	31
	27	41
Current		
Trade receivables	71	72
Provision for bad and doubtful debts	(6)	(6)
Net trade receivables	65	66
Property receivables	4	3
Property disposal receivable	–	46
Sublease receivables	4	5
Merchandise returns asset	9	9
Prepayments	60	50
Rebates due from suppliers	104	149
Other receivables	47	78
	293	406
Trade and other receivables	320	447

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.

Other receivables include items related to other taxation and social security.

20 Cash and cash equivalents

£ millions	2019/20	2018/19
Cash at bank and in hand	167	220
Other cash and cash equivalents	22	9
Cash and cash equivalents ¹	189	229

1. Excludes £6m of cash and cash equivalents included within assets held for sale (2018/19: £nil).

Included in cash and cash equivalents is restricted cash of £27m (2018/19: £42m) relating to cash held by the Group's captive insurance company and in virtual captive arrangements.

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

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

Notes to the consolidated financial statements continued

21 Trade and other payables

£ millions	2019/20	2018/19 restated (note 37)
Current		
Trade payables	1,242	1,401
Other taxation and social security	211	220
Deferred income	87	90
Merchandise returns provision	17	17
Accruals and other payables	653	687
	2,210	2,415
Non-current		
Accruals and other payables	5	6
Trade and other payables	2,215	2,421

The fair values of trade and other payables approximate to their carrying amounts.

Included in trade payables are amounts at 31 January 2020 of £140m (2018/19: £184m) due under supply chain finance arrangements with third party banks. Suppliers choose to enter into these arrangements, which provide them with the option of access to earlier payment at favourable interest rates from the third party banks based on Kingfisher's investment grade credit rating. If suppliers do not choose early payment under these arrangements, their invoices are settled by the third party banks in accordance with the originally agreed payment terms. Under certain of these arrangements, Kingfisher has agreed extended payment terms. The total amount outstanding on such extended payment terms at 31 January 2020 is £12m (2018/19: £22m). These arrangements do not provide the Group with a significant benefit of additional financing and accordingly are classified as trade payables.

Accruals and other payables include items related to goods not for resale, property, capital expenditure, payroll, insurance and interest.

22 Borrowings

£ millions	2019/20	2018/19 restated (note 37)
Current		
Bank loans	1	1
Fixed term debt	42	–
	43	1
Non-current		
Bank loans	2	3
Fixed term debt	91	136
	93	139
Borrowings	136	140

Bank loans

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 (2018/19: two years) and are arranged at fixed rates of interest with an effective interest rate of 1.0% (2018/19: 1.4%).

The net movement in bank loans of £1m arises from £1m of cashflows to repay loans.

Fixed term debt

	Principal outstanding	Maturity date	Coupon	Effective interest rate	2019/20 Carrying amount £m	2018/19 Carrying amount £m
EUR Medium Term Note	€50m	31/07/20 ¹	3M EURIBOR +45bps	0.1%	42	43
EUR Term Loan	€50m	21/09/21 ²	6M EURIBOR +47.5bps	0.5%	41	43
GBP Term Loan	£50m	13/12/21	6M LIBOR +83bps	1.9%	50	50
					133	136

1. €50m swapped to floating rate Sterling based on 3-month LIBOR plus a margin using a cross-currency interest rate swap
2. €50m swapped to floating rate Sterling based on 6-month LIBOR plus a margin using a cross-currency interest rate swap

Medium Term Notes ("MTNs") were issued in the prior year under the Group's €2,500m MTN programme and GBP and EUR term loans were issued in the prior year.

The net movement in fixed term debt of £3m arises from foreign exchange gains of £4m and amortisation of issue costs of £1m.

The GBP Term Loan 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 2020.

Fair values

£ millions	2019/20	Fair value 2018/19 restated (note 37)
Bank loans	4	5
Fixed term debt	135	138
Borrowings	139	143

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'.

Refer to note 38 for further information on the Group's borrowings after the balance sheet date.

23 Derivatives

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

£ millions	2019/20	2018/19
Cash flow hedges	(15)	7
Non-designated hedges	(17)	(4)
	(32)	3
Current assets	14	26
Current liabilities	(43)	(21)
Non-current liabilities	(3)	(2)
	(32)	3

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

£ millions	2019/20	2018/19
Foreign exchange contracts	14	26
Derivative assets	14	26

£ millions	2019/20	2018/19
Cross currency interest rate swaps	(5)	(2)
Foreign exchange contracts	(41)	(21)
Derivative liabilities	(46)	(23)

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.

Notes to the consolidated financial statements continued

23 Derivatives continued

At 31 January 2020, net financing derivative liabilities included in net debt amount to £22m (2018/19: £5m). The net movement in these derivatives of £17m arises from fair value movements.

Cash flow hedges

Forward foreign exchange contracts hedge currency exposures of forecast inventory purchases. At 31 January 2020 the Sterling equivalent amount of such contracts is £978m (2018/19: £878m). These are located in the derivative asset and derivative liability lines in the consolidated balance sheet with carrying amounts of £8m asset and £18m liability. The associated fair value gains and losses will be transferred to inventories when the purchases occur during the next 18 months. The amount recognised in other comprehensive income during the year is a gain of £20m (2018/19: £85m). Gains of £40m (2018/19: £22m) have been transferred to inventories for contracts which matured during the year. There is no ineffectiveness for 2019/20 on these hedges. The weighted average hedged rates of the hedging instruments for our material currencies are USD/EUR 1.13 and USD/GBP 1.29.

Cross currency interest rate swap contracts hedge currency exposures of EUR debt. At 31 January 2020 the Sterling equivalent amount of such contracts is £84m. These are located in the derivative liability line in the consolidated balance sheet with a carrying amount of £5m, with movements recognised in other comprehensive income. The foreign exchange movement of these contracts is £3m and has been transferred from other comprehensive income to the income statement in net finance costs (see note 6) and offset with the foreign exchange movement on the debt. The weighted average hedged rate for the cross currency swaps is EUR/GBP 1.12. There is no ineffectiveness for 2019/20 in relation to the cross currency interest rate swaps.

Hedge effectiveness is assessed at the inception of the hedge relationship and on an ongoing basis to ensure that an economic relationship exists between the hedged item and the hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness.

For foreign currency inventory purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated or if there are changes in the credit risk of the Group or the derivative counterparty. For the interest rate swaps, hedge ineffectiveness may arise from credit risk of the Group or the derivative counterparty.

Non-designated hedges

The Group has entered into certain derivatives to provide a hedge against fluctuations in the income statement arising from balance sheet positions. At 31 January 2020, the Sterling equivalent amount of such contracts is £1,657m (2018/19: £1,772m). These have not been accounted for as hedges, since the fair value movements of the derivatives in the income statement offset the retranslation of the balance sheet positions. These include short-term foreign exchange contracts.

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

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

Offsetting of derivative assets and liabilities:

£ millions	Gross amounts of recognised derivatives	Gross amounts offset in the consolidated balance sheet	Net amounts of derivatives presented in the consolidated balance sheet	Gross amounts of derivatives not offset in the consolidated balance sheet	Net amount
At 31 January 2020					
Derivative assets	14	–	14	(14)	–
Derivative liabilities	(46)	–	(46)	14	(32)
At 31 January 2019					
Derivative assets	26	–	26	(26)	–
Derivative liabilities	(23)	–	(23)	26	3

Net investment hedges

Foreign currency denominated lease liabilities recognised on the adoption of IFRS 16 are designated as hedging the exposure to movements in the spot retranslation of the Group's investment in foreign subsidiaries. The gains and losses on retranslation of the hedging instruments are presented in the translation reserve within other reserves to offset gains and losses on the hedged balance sheet exposure. There is no ineffectiveness for 2019/20.

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 and foreign exchange contracts.

Interest rate risk

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

Currency risk

The Group's principal currency exposures are to the Euro, US Dollar, Polish Zloty and 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 18 months. This is monitored on an ongoing basis.

The Group also has exposure to a small number of leases denominated in currencies which are different from the functional (reporting) currencies of the lessee. To reduce the Group's exposure to this, the majority of the affected lease liabilities have been designated as net investment hedges of Group assets held in the same currency from this financial year.

The Group has EUR denominated loans at a floating rate. This exposes the Group to EUR currency risk which has been swapped to a Sterling floating rate using cross currency swaps.

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

£ millions	2019/20								Total
	Sterling		Euro		US Dollar		Other		
	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	
At 31 January 2020									
Net debt before financing derivatives and lease liabilities	-	9	(3)	(15)	-	3	-	65	59
Financing derivatives	-	(1,185)	-	637	-	459	-	67	(22)
Lease liabilities ¹	(1,912)	-	(586)	-	-	-	(65)	-	(2,563)
Net debt	(1,912)	(1,176)	(589)	622	-	462	(65)	132	(2,526)

1. Includes lease liabilities included within liabilities directly associated with assets held for sale.

£ millions	2018/19 restated (note 37)								Total
	Sterling		Euro		US Dollar		Other		
	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	
At 31 January 2019									
Net debt before financing derivatives and lease liabilities	-	11	(5)	26	-	8	-	49	89
Financing derivatives	-	(1,197)	-	599	-	541	-	52	(5)
Lease liabilities	(1,941)	-	(624)	-	(2)	-	(59)	-	(2,626)
Net debt	(1,941)	(1,186)	(629)	625	(2)	549	(59)	101	(2,542)

Notes to the consolidated financial statements continued

24 Financial risk management continued

Financial instruments principally affected by interest rate and currency risks, being the significant market risks impacting Kingfisher, are borrowings, deposits and derivatives. The following analysis illustrates the sensitivity of net finance costs (reflecting the impact on profit) and derivative cash flow hedges (reflecting the impact on other comprehensive income) to changes in interest rates and foreign exchange rates.

£ millions	2019/20	2018/19
	Net finance costs income/ (costs)	Net finance costs income/ (costs)
Effect of 1% rise in interest rates on net finance costs		
Sterling	(12)	(12)
Euro	6	6
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	2019/20	2018/19
	Derivative cash flow hedges increase	Derivative cash flow hedges increase
Effect of 10% appreciation in foreign exchange rates on derivative cash flow hedges		
US Dollar against Sterling	44	43
US Dollar against Euro	34	24
US Dollar against other	12	9

The impact of changes in foreign exchange rates on cash flow hedges results from retranslation of forward purchases of US Dollars used to hedge forecast US Dollar purchases of inventories. The associated fair value gains and losses are deferred in equity until the purchases occur. See note 23 for further details.

The sensitivity analysis excludes the impact of movements in market variables on the carrying amount of trade and other payables and receivables, due to the low associated sensitivity, and are before the effect of tax. It has been prepared on the basis that the Group's debt, hedging activities, hedge accounting designations, and foreign currency proportion of debt and derivative contracts remain constant, reflecting the positions at 31 January 2020 and 31 January 2019 respectively. As a consequence, the analysis relates to the position at those dates and is not necessarily representative of the years then ended. In preparing the sensitivity analysis it is assumed that all hedges are fully effective.

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

Liquidity risk

The Group regularly reviews the level of cash and debt facilities required to fund its activities. This involves preparing a prudent cash flow forecast for the next three years, determining the level of debt facilities required to fund the business, planning for repayments of debt at its maturity and identifying an appropriate amount of headroom to provide a reserve against unexpected outflows. Refer to note 2a for details on the cash flow scenario analysis undertaken in light of the unprecedented circumstances that have arisen since the outbreak of the Covid-19 pandemic and the possible risk this poses to short-term liquidity.

The following table analyses the Group's financial liabilities and derivatives into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. It excludes trade and other payables 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	2019/20						Total
	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	
At 31 January 2020							
Bank loans	(1)	(1)	(1)	(1)	–	–	(4)
Fixed term debt	(43)	(93)	–	–	–	–	(136)
Lease liabilities	(457)	(435)	(398)	(361)	(325)	(1,486)	(3,462)
<i>Derivative financial liabilities:</i>							
Derivative contracts – receipts	1,939	75	–	–	–	–	2,014
Derivatives contracts – payments	(1,977)	(79)	–	–	–	–	(2,056)
<i>Derivative financial assets:</i>							
Derivatives contracts – receipts	708	12	–	–	–	–	720
Derivatives contracts – payments	(696)	(12)	–	–	–	–	(708)

£ millions	2018/19 restated (note 37)						Total
	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	
At 31 January 2019							
Bank loans	(1)	(1)	(1)	(1)	(1)	–	(5)
Fixed term debt	(1)	(45)	(95)	–	–	–	(141)
Lease liabilities	(473)	(479)	(432)	(380)	(344)	(1,737)	(3,845)
<i>Derivative financial liabilities:</i>							
Derivative contracts – receipts	1,363	44	44	–	–	–	1,451
Derivatives contracts – payments	(1,379)	(46)	(46)	–	–	–	(1,471)
<i>Derivative financial assets:</i>							
Derivatives contracts – receipts	1,283	–	–	–	–	–	1,283
Derivatives contracts – payments	(1,258)	–	–	–	–	–	(1,258)

The liquidity risk tables above have been amended in the current year (with restatement of comparatives) to include lease liabilities and foreign currency derivatives. The foreign currency derivatives were previously excluded as the net cash flows were small and related to highly liquid currencies. These derivatives are used for the hedging of forecast stock purchases and central cash management. The derivative financial liabilities and assets have been grossed up between receipts and payments to reflect the underlying contracts.

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 2020, the highest total cash investment with a single counterparty was £47m (2018/19: £56m).

The Group's exposure to credit risk at the reporting date is the carrying value of trade and other receivables, cash at bank, short-term deposits and the fair value of derivative assets. Trade and other receivables mainly relate to trade receivables and rebates which comprise low individual balances with short maturity spread across a large number of unrelated customers and suppliers, resulting in low credit risk levels. They do not have a significant financing component and therefore the Group has elected to measure expected credit losses using lifetime expected losses. The estimated lifetime expected losses are based on historical loss rates adjusted where necessary for expected changes in economic conditions.

At 31 January 2020, trade and other receivables that are past due but not provided against amount to £38m (2018/19: £50m), of which £9m (2018/19: £7m) are over 120 days past due.

Refer to note 35 for details on guarantees provided by the Group.

Capital risk

Capital risk management disclosures are provided in the Financial Review on pages 28 to 35.

Notes to the consolidated financial statements continued

25 Deferred tax

£ millions	2019/20	2018/19 restated (note 37)
Deferred tax assets	12	13
Deferred tax liabilities	(189)	(192)
	(177)	(179)

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.

	2019/20								
£ millions	Accelerated tax depreciation	Gains on property	Leases	Provisions	Tax losses	Post- employment benefits	Investment in subsidiaries	Other	Total
At 1 February 2019	(141)	(69)	104	65	6	(135)	(7)	(2)	(179)
Credit/(charge) to income statement	5	12	7	(15)	2	1	7	-	19
(Charge)/credit to equity	-	-	-	-	-	(24)	-	3	(21)
Exchange differences	6	1	(1)	(1)	-	(1)	-	-	4
At 31 January 2020	(130)	(56)	110	49	8	(159)	-	1	(177)

	2018/19 restated (see note 37)								
£ millions	Accelerated tax depreciation	Gains on property	Leases	Provisions	Tax losses	Post- employment benefits	Investment in subsidiaries	Other	Total
At 1 February 2018	(140)	(83)	102	59	18	(100)	-	12	(132)
(Charge)/credit to income statement	(2)	15	2	7	(12)	1	(7)	1	5
Charge to equity	-	-	-	-	-	(36)	-	(16)	(52)
Exchange differences	1	(1)	-	(1)	-	-	-	1	-
At 31 January 2019	(141)	(69)	104	65	6	(135)	(7)	(2)	(179)

At the balance sheet date, the Group has unused trading tax losses of £281m (2018/19: £258m) available for offset against future profits. A deferred tax asset has been recognised in respect of £30m (2018/19: £14m) of such losses. No deferred tax asset has been recognised in respect of the remaining £251m (2018/19: £244m) due to the unpredictability of future profit streams.

Included in this amount there are tax losses arising in Romania of £111m (2018/19: £84m) and Portugal of £15m (2018/19: £14m) which can only be carried forward in the next one to seven and one to twelve years respectively. Other unrecognised losses may be carried forward indefinitely.

At the balance sheet date, the Group also has unused capital tax losses of £21m (2018/19: £51m) available for offset against future capital gains. A deferred tax asset has been recognised in the year in respect of £2m (2018/19: £24m) of such losses. All of these losses may be carried forward indefinitely.

No deferred tax liability is recognised on the unremitted earnings of overseas subsidiaries and joint ventures. As the earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future. Earnings which could be remitted on which there would be tax to pay total £209m (2018/19: £152m).

26 Provisions

£ millions	Onerous property contracts	Restructuring	Total
At 1 February 2019 restated (note 37)	(5)	(59)	(64)
Charge to income statement	(1)	(82)	(83)
Utilised in the year	1	39	40
Exchange differences	–	3	3
At 31 January 2020	(5)	(99)	(104)
Current liabilities	–	(65)	(65)
Non-current liabilities	(5)	(34)	(39)
	(5)	(99)	(104)

Onerous property contracts exclude contracts related to restructuring programmes which are included in the restructuring provisions. The provisions are based on the present value of future cash outflows relating to rates and service charges. Rental obligations under onerous property contracts are included within lease liabilities.

Restructuring provisions include both the cost of people change and the cost to exit stores and property contracts.

In February 2018, the Group commenced formal consultation with employee representatives regarding its plans in France to restructure the business as part of the Group's transformation plan. Provisions for the cost of the employee redundancy plan have been recognised.

The ultimate costs and timing of cash flows related to the above provisions are largely dependent on the timing of the related store closures.

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

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	2019/20	2018/19
Charge to operating profit	34	23

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

Defined benefit schemes

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

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

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

A full actuarial valuation of the scheme is carried out every three years by an independent actuary for the Trustee and the last full valuation was carried out as at 31 March 2019.

Following this valuation and in accordance with the scheme's Statement of Funding Principles, the Trustee and Kingfisher have agreed annual employer contributions of £27m from April 2019. 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.

Notes to the consolidated financial statements continued

27 Post-employment benefits continued

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

UK scheme interest in property partnership

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

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

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

Income statement

£ millions	2019/20			2018/19		
	UK	Overseas	Total	UK	Overseas	Total
Amounts charged/(credited) to operating profit						
Current service cost	2	8	10	2	9	11
Past service cost	–	–	–	5	(3)	2
Administration costs	3	–	3	4	–	4
	5	8	13	11	6	17
Amounts (credited)/charged to net finance costs						
Net interest (income)/expense	(8)	1	(7)	(6)	2	(4)
Total (credited)/charged to income statement	(3)	9	6	5	8	13

Of the net charge to operating profit, a £10m charge (2018/19: £13m charge) and £3m charge (2018/19: £4m charge) are included in selling and distribution expenses and administrative expenses respectively. Actuarial gains and losses have been reported in the statement of comprehensive income.

Balance sheet

£ millions	2019/20			2018/19		
	UK	Overseas	Total	UK	Overseas	Total
Present value of defined benefit obligations	(3,114)	(147)	(3,261)	(2,842)	(135)	(2,977)
Fair value of scheme assets	3,518	20	3,538	3,162	20	3,182
Net surplus/(deficit) in schemes	404	(127)	277	320	(115)	205

Movements in the surplus or deficit are as follows:

£ millions	2019/20			2018/19		
	UK	Overseas	Total	UK	Overseas	Total
Net surplus/(deficit) in schemes at beginning of year	320	(115)	205	214	(115)	99
Current service cost	(2)	(8)	(10)	(2)	(9)	(11)
Past service cost	–	–	–	(5)	3	(2)
Administration costs	(3)	–	(3)	(4)	–	(4)
Net interest income/(expense)	8	(1)	7	6	(2)	4
Net actuarial gains/(losses)	51	(9)	42	74	4	78
Contributions paid by employer	30	2	32	37	3	40
Exchange differences	–	4	4	–	1	1
Net surplus/(deficit) in schemes at end of year	404	(127)	277	320	(115)	205

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

£ millions	2019/20			2018/19		
	UK	Overseas	Total	UK	Overseas	Total
Present value of defined benefit obligations at beginning of year	(2,842)	(135)	(2,977)	(3,002)	(134)	(3,136)
Current service cost	(2)	(8)	(10)	(2)	(9)	(11)
Past service cost	–	–	–	(5)	3	(2)
Interest expense	(70)	(1)	(71)	(73)	(2)	(75)
Actuarial (losses)/gains – changes in financial assumptions	(411)	(15)	(426)	52	(2)	50
Actuarial gains – changes in demographic assumptions	55	–	55	–	–	–
Actuarial gains – experience adjustments	14	6	20	8	5	13
Benefits paid	142	2	144	180	3	183
Exchange differences	–	4	4	–	1	1
Present value of defined benefit obligations at end of year	(3,114)	(147)	(3,261)	(2,842)	(135)	(2,977)

The present value of UK scheme defined benefit obligations is 62% (2018/19: 66%) in respect of deferred members and 38% (2018/19: 34%) in respect of current pensioners.

The weighted average duration of the UK scheme obligations at the end of the year is 20 years (2018/19: 19 years).

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

£ millions	2019/20			2018/19		
	UK	Overseas	Total	UK	Overseas	Total
Fair value of scheme assets at beginning of year	3,162	20	3,182	3,216	19	3,235
Administration costs	(3)	–	(3)	(4)	–	(4)
Interest income	78	–	78	79	–	79
Actuarial gains – actual return less interest income	393	–	393	14	1	15
Contributions paid by employer	30	2	32	37	3	40
Benefits paid	(142)	(2)	(144)	(180)	(3)	(183)
Fair value of scheme assets at end of year	3,518	20	3,538	3,162	20	3,182

The fair value of scheme assets is analysed as follows:

£ millions	2019/20				2018/19			
	UK	Overseas	Total	% of total	UK	Overseas	Total	% of total
Government bonds ¹	1,735	–	1,735	49%	1,489	–	1,489	47%
Corporate bonds	909	–	909	26%	864	–	864	27%
Derivatives	(26)	–	(26)	(1%)	(51)	–	(51)	(2%)
UK equities	14	–	14	–	13	–	13	–
Overseas equities	173	–	173	5%	164	–	164	5%
Property	22	–	22	1%	24	–	24	1%
Annuities	393	–	393	11%	372	–	372	12%
Cash and other	298	20	318	9%	287	20	307	10%
Total fair value of scheme assets	3,518	20	3,538	100%	3,162	20	3,182	100%

1. Including LDI repurchase agreement liabilities.

All UK scheme assets have quoted prices in active markets, except for £615m (2018/19: £570m) of property, annuity and other assets.

To reduce volatility risk a liability driven investment (LDI) strategy forms part of the Trustee's management of the UK defined benefit scheme's assets, including government bonds, corporate bonds and derivatives. The government bond assets category in the table above includes gross assets of £2.9bn (2018/19: £2.8bn) and associated repurchase agreement liabilities of £1.2bn (2018/19: £1.3bn). 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 £26m.

Notes to the consolidated financial statements continued

27 Post-employment benefits continued

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.

Annual % rate	2019/20		2018/19	
	UK	Overseas	UK	Overseas
Discount rate	1.6	0.7	2.5	1.4
Price inflation	2.9	2.0	3.3	2.0
Rate of pension increases	2.8	–	3.0	–
Salary escalation	n/a	2.4	n/a	2.4

For the UK scheme, the mortality assumptions used for IAS 19 purposes have been selected with regard to the characteristics and experience of the membership of the scheme as assessed from time to time relating to triennial funding valuations. The base mortality assumptions have been derived using an analysis of current mortality rates carried out by Club Vita for the Trustee and the CMI life expectancy projection model data published by the UK actuarial profession. The latter allowance is in line with CMI 2018 improvements subject to a long-term rate of 1.5% p.a. for both males and females. The assumptions for life expectancy of UK scheme members are as follows:

Years	2019/20	2018/19
Age to which current pensioners are expected to live (60 now)		
– Male	86.4	87.3
– Female	87.2	89.0
Age to which future pensioners are expected to live (60 in 15 years' time)		
– Male	87.5	88.5
– Female	90.1	90.9

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

Assumption	Change in assumption	Impact on defined benefit obligation
Discount rate	Increase/decrease by 0.5%	Decrease/increase by £330m
Price inflation	Increase/decrease by 0.5%	Increase/decrease by £263m
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £271m
Mortality	Increase in life expectancy by one year	Increase by £110m

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.

Refer to note 38 for further information on the estimated impacts of Covid-19 on the Group's defined benefit pension schemes after the balance sheet date.

28 Share capital

	Number of ordinary shares millions	Ordinary share capital £ millions
Allotted, called up and fully paid:		
At 1 February 2019	2,110	332
At 31 January 2020	2,110	332
At 1 February 2018	2,161	340
Purchase of own shares for cancellation	(51)	(8)
At 31 January 2019	2,110	332

Ordinary shares have a par value of 15⁵/₇ pence per share.

In the prior year the Group purchased 51 million of the Company's own shares for cancellation at a cost of £140m as part of its capital returns programme.

29 Other reserves

2019/20

£ millions	Translation reserve	Cash flow hedge reserve	Other	Total
At 1 February 2019	210	10	159	379
Inventory cash flow hedges – fair value gains	–	20	–	20
Tax on items that will not be reclassified subsequently to profit or loss	–	(4)	–	(4)
Currency translation differences				
Group	(134)	–	–	(134)
Joint ventures and associates	(1)	–	–	(1)
Other cash flow hedges				
Fair value losses	–	(3)	–	(3)
Losses transferred to income statement	–	3	–	3
Other comprehensive (loss)/income for the year	(135)	16	–	(119)
Inventory cash flow hedges – gains transferred to inventories	–	(40)	–	(40)
Tax on equity items	–	8	–	8
At 31 January 2020	75	(6)	159	228

2018/19 restated (note 37)

£ millions	Translation reserve	Cash flow hedge reserve	Other	Total
At 1 February 2018	256	(37)	159	378
Inventory cash flow hedges – fair value gains	–	85	–	85
Tax on items that will not be reclassified subsequently to profit or loss	–	(21)	–	(21)
Currency translation differences				
Group	(46)	–	–	(46)
Cash flow hedges				
Fair value losses	–	(2)	–	(2)
Losses transferred to inventories	–	2	–	2
Other comprehensive (loss)/income for the year	(46)	64	–	18
Inventory cash flow hedges – gains transferred to inventories	–	(22)	–	(22)
Tax on equity items	–	5	–	5
At 31 January 2019	210	10	159	379

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

30 Share-based payments

	2019/20		2018/19	
	Number of options thousands	Weighted average exercise price £	Number of options thousands	Weighted average exercise price £
Outstanding at beginning of year	39,356	0.84	36,541	0.87
Granted during the year ¹	27,411	0.48	12,952	0.94
Forfeited and expired during the year	(11,660)	1.34	(8,218)	1.13
Exercised during the year	(3,917)	0.01	(1,919)	0.80
Outstanding at end of year	51,190	0.60	39,356	0.84
Exercisable at end of year	4,730	0.86	3,430	1.56

1. The weighted average exercise price for options granted during the year represents a blend of nil price Delivering Value Incentive awards, Alignment Share awards, KISP awards and discounted Sharesave options (see below).

Notes to the consolidated financial statements continued

30 Share-based payments continued

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 £2.19 (2018/19: £2.83). 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 5.8 years (2018/19: 5.2 years).

The Group recognised a total expense of £11m in the year ended 31 January 2020 (2018/19: £15m) relating to equity-settled share-based payment transactions.

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

	Date of grant	Share price at grant £	Exercise price £	Expected life ² years	Expected volatility ³ %	Dividend yield ⁴ %	Risk free rate %	Fair value £
Kingfisher Incentive Share Scheme ¹	25/04/12	2.96	–	7	–	–	–	2.96
	11/04/13	2.97	–	7	–	–	–	2.97
	23/04/14	4.19	–	7	–	–	–	4.19
Kingfisher Incentive Share Plan – Deferred Bonus Awards	23/04/15	3.52	–	7	–	–	–	3.52
	21/04/16	3.61	–	7	–	–	–	3.61
	03/05/17	3.40	–	7	–	–	–	3.40
	23/04/18	3.09	–	7	–	–	–	3.09
Performance Share Plan	24/04/19	2.63	–	7	–	–	–	2.63
	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
Long Term Incentive Awards	22/10/13	3.74	–	7	–	–	–	3.74
	03/07/14	3.61	–	7	–	–	–	3.61
	15/09/14	3.16	–	7	–	–	–	3.16
	05/05/15	3.54	–	7	–	–	–	3.54
UK and International Sharesave	20/10/15	3.63	–	7	–	–	–	3.63
	19/10/12	2.85	2.17	5.5	37.6%	3.3%	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
	31/10/17	3.13	2.42	3.5	22.8%	3.4%	0.6%	0.43
	31/10/17	3.13	2.42	5.5	22.3%	3.4%	0.8%	0.34
	01/11/18	2.62	2.06	3.5	23.2%	4.1%	1.1%	0.33
01/11/18	2.62	2.06	5.5	23.0%	4.1%	0.8%	0.27	
01/11/19	2.07	1.59	3.5	25.7%	5.2%	0.4%	0.39	
01/11/19	2.07	1.59	5.5	25.1%	5.2%	0.4%	0.35	
Alignment Shares	19/07/16	3.32	–	10	–	–	–	3.32
	19/07/16	3.32	–	10	–	–	–	3.03
	24/04/17	3.37	–	10	–	–	–	3.37
	24/04/17	3.37	–	10	–	–	–	3.07
	23/04/18	3.09	–	10	–	–	–	3.09
	24/04/19	2.63	–	10	–	–	–	2.63
	30/07/19	2.62	–	10	–	–	–	2.62
Transformation Incentive	19/07/16	3.32	–	10	–	–	–	3.32
Delivering Value Incentive	30/07/19	2.62	–	10	–	–	–	2.62

- The Kingfisher Incentive Share Scheme ('KISS') includes the Company Share Option Plan ('CSOP') element of the KISS awards.
- Expected life is disclosed based on the UK schemes. For the KISS, KISP and PSP schemes in the UK, the expiry date is 7 years from the date of grant. For the Alignment Shares, Transformation Incentive and Delivering Value Incentive awards the expiry date is 10 years from the date of grant. Expiry of the overseas Alignment Shares award is 3 years from the date of grant.
- 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.
- As these awards are made under an approved SAYE scheme, option holders cannot be compensated for dividends foregone. As such the historical dividend yield is used, calculated as dividends announced in the 12 months prior to grant as a percentage of the share price on the date of grant.

31 Cash generated by operations

£ millions	2019/20	2018/19 restated (note 37)
Operating profit	283	480
Share of post-tax results of joint ventures and associates	(3)	(1)
Depreciation and amortisation	545	535
Net impairment losses	315	201
Gain on disposal of property, plant and equipment, investment property, assets held for sale and intangible assets	(15)	(25)
Lease (gains)/losses	(5)	2
Share-based compensation charge	11	15
(Increase)/decrease in inventories	(65)	95
Decrease in trade and other receivables	53	142
Decrease in trade and other payables	(91)	(197)
Movement in provisions	43	19
Movement in post-employment benefits	(19)	(23)
Cash generated by operations	1,052	1,243

32 Net debt

£ millions	2019/20	2018/19 restated (note 37)
Cash and cash equivalents	189	229
Cash and cash equivalents included within assets held for sale	6	-
Cash and cash equivalents including amounts held for sale	195	229
Bank loans	(3)	(4)
Fixed term debt	(133)	(136)
Net financing derivatives	(22)	(5)
Lease liabilities	(2,527)	(2,626)
Lease liabilities directly associated with assets held for sale	(36)	-
Net debt	(2,526)	(2,542)

Total financial liabilities included within net debt amount to £2,721m (2018/19: £2,771m).

Liabilities arising from financing activities comprise bank loans, the Group's EUR MTN and GBP and EUR term loans and lease liabilities. Associated derivatives are cross currency interest rate swaps and cash management swaps.

The net movement in lease liabilities (including lease liabilities held for sale) of £63m arises from cash payments of £484m, exchange gains of £23m and other lease movements of £24m, offset by additions to lease liabilities of £303m and interest on lease liabilities of £165m.

£ millions	2019/20	2018/19 restated (note37)
Net debt at beginning of year	(2,542)	(2,678)
Net increase in cash and cash equivalents	2	12
Repayment of bank loans	1	1
Issue of fixed term debt	-	(139)
Repayment of fixed term debt	-	134
Receipt on financing derivatives	-	(37)
Net cash flow	3	(29)
Movement in lease liabilities including amounts held for sale	40	157
Exchange differences and other non-cash movements	(27)	8
Net debt at end of year	(2,526)	(2,542)

Notes to the consolidated financial statements continued

33 Assets held for sale

£ millions	2019/20	2018/19
Assets held for sale	196	89
Liabilities directly associated with assets held for sale	(88)	–
	108	89

The Group announced the decision to exit Russia in November 2018. The businesses assets and liabilities were classified as a disposal group held for sale in the current year. The business is presented within the 'Other International' reporting segment.

The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

£ millions	Total
Property, plant & equipment	58
Right-of-use assets	14
Inventories	93
Trade and other receivables	10
Cash and cash equivalents	6
Total assets classified as held for sale	181
Trade and other payables	(49)
Lease liabilities	(36)
Other liabilities	(3)
Total liabilities directly associated with assets held for sale	(88)
Net assets of disposal group	93

Assets held for sale also include freehold properties in Poland and Romania. In the prior year, assets held for sale comprised freehold properties in the UK and Poland.

34 Commitments

Capital commitments contracted but not provided for by the Group amount to £62m (2018/19: £40m).

35 Contingent liabilities

The Group is subject to claims and litigation arising in the ordinary course of business and provision is made where liabilities are considered likely to arise on the basis of current information and legal advice.

The Group files tax returns in many jurisdictions around the world and at any one time, is subject to periodic tax audits in the ordinary course of its business. Applicable tax laws and regulations are subject to differing interpretations and the resolution of a final tax position can take several years to complete. Where it is considered that future tax liabilities are more likely than not to arise, an appropriate provision is recognised in the financial statements.

In October 2017, the European Commission opened a state aid investigation into the Group Financing Exemption section of the UK controlled foreign company rules. While the Group has complied with the requirements of UK tax law in force at the time, in April 2019 the European Commission concluded that aspects of the UK controlled foreign company regime partially constitute state aid. The UK Government and the Group, along with other UK-based international companies, have appealed the European Commission decision to the European Courts.

At present it is not possible to determine the final amount that will be payable as discussions are ongoing with HM Revenue & Customs as to how the decision should be applied to the Group's facts. The Group has calculated its maximum potential liability (including compound interest) to be £63m in the event that all appeals against the position are unsuccessful. The final impact on the Group remains uncertain but based upon advice taken, the Group considers that no provision is required at this time.

As set out in note 5, the Group's dispute with the French Tax Authority regarding the treatment of interest paid since the 2010 year end, previously disclosed as a contingent liability, was settled during the year.

36 Related party transactions

During the year, the Company and its subsidiaries carried out a number of transactions with related parties in the normal course of business and on an arm's length basis. The names of the related parties, the nature of these transactions and their total value are shown below:

£ millions	2019/20		2018/19	
	Income	Receivable	Income	Receivable
Transactions with Koçtaş Yapi Marketleri Ticaret A.S. in which the Group holds a 50% interest				
Commission and other income	0.3	–	0.4	–
Transactions with Crealfi S.A. in which the Group holds a 49% interest				
Provision of employee services	0.1	–	0.6	–
Commission and other income	4.9	0.2	5.7	0.3
Transactions with the Kingfisher Pension Scheme				
Provision of administrative services	1.0	0.2	1.5	–

Services are usually negotiated with related parties on a cost-plus basis. Goods are sold or bought on the basis of the price lists in force with non-related parties.

The remuneration of key management personnel is given in note 8.

Other transactions with the Kingfisher Pension Scheme are detailed in note 27.

37 Impact on the adoption of IFRS 16 Leases

Initial adoption of IFRS 16 'Leases'

The Group adopted IFRS 16 on 1 February 2019 on a fully retrospective basis, resulting in the restatement of comparatives for the year ended 31 January 2019. The cumulative effect of initial application is recognised as an adjustment to opening equity on the date of transition (1 February 2018).

The effect of the changes made to the Group's comparative consolidated income statement, balance sheets and cash flow statement are as follows:

Consolidated income statement – IFRS 16 restatement

£ millions	2018/19		
	As previously reported	Impact of IFRS 16	Restated
Sales	11,685	–	11,685
Cost of sales	(7,376)	9	(7,367)
Gross profit	4,309	9	4,318
Selling and distribution expenses	(3,114)	140	(2,974)
Administrative expenses	(867)	5	(862)
Other income	56	(2)	54
Other expenses	(57)	–	(57)
Share of post-tax results of joint ventures and associates	2	(1)	1
Operating profit	329	151	480
Finance costs	(20)	(176)	(196)
Finance income	13	3	16
Net finance costs	(7)	(173)	(180)
Profit before taxation	322	(22)	300
Income tax expense	(104)	(3)	(107)
Profit for the year	218	(25)	193
Earnings per share			
Basic	10.3p	(1.2)p	9.1p
Diluted	10.2p	(1.2)p	9.0p
Adjusted basic	19.8p	–	19.8p
Adjusted diluted	19.7p	–	19.7p
Adjusted pre-tax profit	573	1	574
Exchange differences on lease liabilities	–	(7)	(7)
Exceptional items	(251)	(16)	(267)
Profit before taxation	322	(22)	300

Notes to the consolidated financial statements continued

37 Impact on the adoption of IFRS 16 Leases continued

Consolidated balance sheets – IFRS 16 restatements

£ millions	2018/19			2017/18		
	As previously reported	Impact of IFRS 16	Restated	As previously reported	Impact of IFRS 16	Restated
Non-current assets	2,436	–	2,436	2,437	–	2,437
Goodwill	371	–	371	355	–	355
Other intangible assets	3,454	(152)	3,302	3,736	(200)	3,536
Property, plant and equipment	–	2,017	2,017	–	2,218	2,218
Right-of-use assets	8	–	8	20	–	20
Investment property	20	(5)	15	25	(6)	19
Investments in joint ventures and associates	320	–	320	214	–	214
Post-employment benefits	9	4	13	30	9	39
Deferred tax assets	10	31	41	8	47	55
Other receivables	6,628	1,895	8,523	6,825	2,068	8,893
Current assets	2,574	–	2,574	2,701	–	2,701
Inventories	453	(47)	406	550	(49)	501
Trade and other receivables	26	–	26	41	–	41
Derivative assets	1	–	1	–	–	–
Current tax assets	229	–	229	230	–	230
Cash and cash equivalents	89	–	89	–	–	–
Assets held for sale	3,372	(47)	3,325	3,522	(49)	3,473
Total assets	10,000	1,848	11,848	10,347	2,019	12,366
Current liabilities						
Trade and other payables	(2,444)	29	(2,415)	(2,666)	36	(2,630)
Borrowings	(14)	13	(1)	(140)	13	(127)
Lease liabilities	–	(308)	(308)	–	(309)	(309)
Derivative liabilities	(21)	–	(21)	(79)	–	(79)
Current tax liabilities	(118)	–	(118)	(140)	–	(140)
Provisions	(35)	8	(27)	(25)	10	(15)
	(2,632)	(258)	(2,890)	(3,050)	(250)	(3,300)
Non-current liabilities						
Other payables	(64)	58	(6)	(61)	59	(2)
Borrowings	(162)	23	(139)	(36)	32	(4)
Lease liabilities	–	(2,318)	(2,318)	–	(2,482)	(2,482)
Derivative liabilities	(2)	–	(2)	–	–	–
Deferred tax liabilities	(286)	94	(192)	(264)	93	(171)
Provisions	(82)	45	(37)	(73)	44	(29)
Post-employment benefits	(115)	–	(115)	(115)	–	(115)
	(711)	(2,098)	(2,809)	(549)	(2,254)	(2,803)
Total liabilities	(3,343)	(2,356)	(5,699)	(3,599)	(2,504)	(6,103)
Net assets	6,657	(508)	6,149	6,748	(485)	6,263
Equity						
Share capital	332	–	332	340	–	340
Share premium	2,228	–	2,228	2,228	–	2,228
Own shares held in ESOP trust	(25)	–	(25)	(29)	–	(29)
Retained earnings	3,696	(504)	3,192	3,790	(479)	3,311
Capital redemption reserve	43	–	43	35	–	35
Other reserves	383	(4)	379	384	(6)	378
Total equity	6,657	(508)	6,149	6,748	(485)	6,263

Consolidated cash flow statement – IFRS 16 restatement

2018/19

£ millions	As previously reported	Impact of IFRS 16	Restated
Operating activities			
Cash generated by operations	781	462	1,243
Income tax paid	(132)	–	(132)
Net cash flows from operating activities	649	462	1,111
Investing activities			
Purchase of property, plant and equipment and intangible assets	(339)	7	(332)
Disposal of property, plant and equipment, investment property, assets held for sale and intangible assets	45	–	45
Interest received	11	–	11
Interest element of lease rental receipts	–	3	3
Principal element of lease rental receipts	–	6	6
Advance payments on right-of-use assets	–	(4)	(4)
Dividends received from joint ventures and associates	5	–	5
Net cash flows used in investing activities	(278)	12	(266)
Financing activities			
Interest paid	(19)	–	(19)
Interest element of lease rental payments	(2)	(172)	(174)
Principal element of lease rental payments	(10)	(302)	(312)
Repayment of bank loans	(1)	–	(1)
Issue of fixed term debt	139	–	139
Repayment of fixed term debt	(134)	–	(134)
Receipt on financing derivatives	37	–	37
New shares issued under share schemes	2	–	2
Purchase of own shares for cancellation	(140)	–	(140)
Ordinary dividends paid to equity shareholders of the Company	(231)	–	(231)
Net cash flows from financing activities	(359)	(474)	(833)
Net increase in cash and cash equivalents	12	–	12
Cash and cash equivalents at beginning of year	230	–	230
Exchange differences	(13)	–	(13)
Cash and cash equivalents at end of year	229	–	229
Operating profit			
Share of post-tax results of joint ventures and associates	(2)	1	(1)
Depreciation and amortisation	272	263	535
Net impairment losses	160	41	201
Gain on disposal of property, plant and equipment, investment property, assets held for sale and intangible assets	(25)	–	(25)
Lease losses	–	2	2
Share-based compensation charge	15	–	15
Decrease in inventories	95	–	95
Decrease in trade and other receivables	144	(2)	142
Decrease in trade and other payables	(203)	6	(197)
Movement in provisions	19	–	19
Movement in post-employment benefits	(23)	–	(23)
Cash generated by operations	781	462	1,243

Notes to the consolidated financial statements continued

37 Impact on the adoption of IFRS 16 Leases continued

Notes to the restatement tables

Income statement

- There is no impact on sales.
- The reduction in cost of sales, selling and distribution expenses and administrative expenses is due to the removal of the IAS 17 operating lease rental expense, partially offset by the IFRS 16 depreciation charge on in-scope property and equipment lease right-of-use assets. The leased properties principally comprise stores, hence the significant impact on selling and distribution expenses, but also include certain distribution centres and offices. The majority of the impact on operating profit (and the Group's alternative measure of retail profit) arises in the UK, due to the high proportion of leasehold stores.
- The increase in net finance costs is driven by the IFRS 16 interest expense on lease liabilities. Other impacts include a small increase in finance income from IFRS 16 interest income on sublease assets, the removal of IAS 17 finance lease interest expense and the recognition of IFRS 16 exchange differences on lease liabilities ('lease FX').
- Lease FX represents the impact of translating leases denominated in non-functional currencies (e.g. a dollar-denominated lease in Russia) which are not able to be designated as net investment hedges and has been excluded from the Group's adjusted performance measure due to its fluctuating nature.
- The movement in exceptional items mainly reflects the recognition of IFRS 16 impairments to right-of-use assets, partially offset by the derecognition of IAS 17 charges to onerous lease rental provisions.
- The impact on deferred tax of the above adjustments has been recorded. Note that the Group's alternative measure of adjusted effective tax rate remains broadly unchanged.
- Earnings per share reflects the net impact of the above adjustments on post-tax results. The Group's alternative measure of adjusted earnings per share remain unchanged, reflecting the broadly neutral impacts on adjusted pre-tax profits and adjusted effective tax rate.

Balance sheet

- IFRS 16 right-of-use assets and lease liabilities have been recognised for in-scope property and equipment lease contracts.
- IAS 17 finance lease assets, upfront lease premiums and capitalised costs incurred to secure leases have been derecognised from property, plant and equipment.
- IAS 17 finance lease liabilities have been derecognised from borrowings.
- IAS 17 rental prepayments and accruals have been derecognised from other receivables and payables respectively, the former partially offset by recognition of sublease assets.
- IAS 17 onerous lease rental provisions have been derecognised.
- The impact on deferred tax of the above adjustments has been recorded.
- Retained earnings have reduced, reflecting the higher cumulative expenses under IFRS 16.

Cash flow statement

- No change in reported cash and cash equivalent balances and net movement in these.
- The presentational changes to the cash flow statement principally comprise the reclassification of lease rental payments from net cash flows from operating activities to net cash flows from financing activities, with payments split between interest and principal elements.
- Other presentational changes include the increased add-back to operating profit for IFRS 16 right-of-use asset depreciation and impairment losses.
- Note that the Group's alternative measure of net debt increases significantly with the inclusion of IFRS 16 lease liabilities. The ratio of net debt to EBITDA, previously 'lease adjusted net debt to EBITDAR', reduces due to a lower lease liability than the previous '8x' rent assumption.
- Note that the Group's alternative measure of free cash flow reduces slightly under IFRS 16 to reflect the inclusion of the principal element of rental payments related to IAS 17 finance leases.

Note that the impacts on the statement of comprehensive income and statement of changes in equity are limited to the restatement of profits and adjustments for exchange differences.

38 Post balance sheet events

The effects of the Covid-19 pandemic and the related financial statement impacts could not have been reasonably anticipated at 31 January 2020 and are therefore deemed to be non-adjusting post balance sheet events.

Impact on trading

In March 2020, following the outbreak of Covid-19, despite being categorised as a retailer of 'essential' goods and eligible to remain open, the Group took the decision to close all UK and France stores to customers for browsing and in-store purchasing while safe store operating protocols were established. Government lockdown restrictions resulted in temporary store closures in the Republic of Ireland, Spain and Russia. The impact of these store closures, and potential further impacts of Covid-19, on the Group's assessment of Going Concern is outlined in Note 3. Nearly all of the Group's stores have since reopened for browsing and in-store purchasing following a phased reopening of stores from mid-April.

Asset balances

The Group has performed an assessment of the estimated impacts of Covid-19 on impairments to goodwill, property, plant and equipment, and right-of-use assets, which concluded that these impacts were not material for the Group given the relatively short-term and temporary nature of the adverse effects of Covid-19 on the Group's projected cash flows.

Defined benefit pension scheme

A review of the key financial assumptions relating to the Group's defined benefit pension schemes subsequent to the balance sheet date indicate a decline in the obligations that falls within the range of sensitivities described in note 27, driving an overall increase in the net surplus since 31 January 2020. The fair value of plan assets is expected to be volatile in the short term due to uncertain market conditions.

Government support

The Group received government business support measures in the territories in which it operates, including the UK Government's Coronavirus Job Retention Scheme, the French Government's 'activité partielle' relief measures, and similar schemes in Spain and Romania. This led to c.50% of the Group's employees being furloughed in April, reducing to c.10% by the end of May.

The UK Government announced in March 2020 that retail premises in England will be granted a 'holiday' from paying business rates in the 2020/21 tax year, effective from April 2020, with similar measures (a combination of payment deferrals and 'holidays') announced by the local governments and assemblies of Scotland, Wales and Northern Ireland.

Financing

As announced on 12 May 2020, the Group arranged a €600m (c.£535m) term facility with three French banks. The loan is guaranteed at 80% by the French State ('Prêt garanti par l'État') and has a maturity of one year, extendable for up to five years. As required under the terms of the loan, the full amount was drawn down on 18 May 2020.

On 9 May 2020, the Group entered into a new committed Revolving Credit Facility (RCF) with a syndicate of its relationship banks, comprising £250m, due to expire in May 2021, bringing the total value of RCFs available to the Group to £1,025m.

The Group's eligibility to access funding under the Bank of England's Covid Corporate Financing Facility (CCFF) was confirmed in May 2020. On 12 June 2020, the Group issued £600m of 11-month Commercial Paper under the CCFF.

Company balance sheet

At 31 January 2020

£ millions	Notes	2019/20	2018/19 restated (note 16)	2017/18 restated (note 16)
Non-current assets				
Right-of-use assets	4	4	6	6
Investment in subsidiary	5	6,823	6,831	6,825
Post-employment benefits	11	17	15	12
		6,844	6,852	6,843
Current assets				
Trade and other receivables	6	6,325	4,494	4,133
Derivative assets	9	6	10	40
Current tax assets		56	49	44
Cash and cash equivalents		30	69	55
		6,417	4,622	4,272
Total assets		13,261	11,474	11,115
Current liabilities				
Trade and other payables	7	(6,869)	(5,107)	(4,819)
Borrowings	8	(42)	-	(125)
Lease liabilities	4	(3)	(1)	(1)
Derivative liabilities	9	(21)	(11)	(12)
Provisions		-	-	(1)
		(6,935)	(5,119)	(4,958)
Non-current liabilities				
Borrowings	8	(91)	(136)	-
Lease liabilities	4	(4)	(8)	(7)
Derivative liabilities	9	(3)	(2)	-
Deferred tax liabilities		(2)	-	-
Provisions	10	(2)	(2)	(2)
		(102)	(148)	(9)
Total liabilities		(7,037)	(5,267)	(4,967)
Net assets		6,224	6,207	6,148
Equity				
Share capital	12	332	332	340
Share premium		2,228	2,228	2,228
Own shares held in ESOP trust		(23)	(25)	(29)
Retained earnings		2,933	2,918	2,863
Capital redemption reserve		43	43	35
Other reserves		711	711	711
Total equity		6,224	6,207	6,148

The Company's profit for the year was £242m (2018/19 restated: £411m).

The financial statements were approved by the Board of Directors on 16 June 2020 and signed on its behalf by:

Thierry Garnier
Chief Executive Officer

Bernard Bot
Chief Financial Officer

Company statement of changes in equity

Year ended 31 January 2020

								2019/20
£ millions	Notes	Share capital	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves ¹	Total equity
At 1 February 2019		332	2,228	(25)	2,918	43	711	6,207
Profit for the year		–	–	–	242	–	–	242
Other comprehensive income for the year		–	–	–	1	–	–	1
Total comprehensive income for the year		–	–	–	243	–	–	243
Capital contributions given relating to share-based payments		–	–	–	11	–	–	11
Own shares issued under share schemes		–	–	12	(12)	–	–	–
Purchase of own shares for ESOP trust		–	–	(10)	–	–	–	(10)
Dividends		–	–	–	(227)	–	–	(227)
At 31 January 2020		332	2,228	(23)	2,933	43	711	6,224

								2018/19 restated (note16)
£ millions	Notes	Share capital	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves ¹	Total equity
At 1 February 2018		340	2,228	(29)	2,863	35	711	6,148
Profit for the year		–	–	–	411	–	–	411
Other comprehensive income for the year		–	–	–	2	–	–	2
Total comprehensive income for the year		–	–	–	413	–	–	413
Share-based compensation	13	–	–	–	4	–	–	4
Capital contributions given relating to share-based payments		–	–	–	11	–	–	11
New shares issued under share schemes		–	–	–	2	–	–	2
Own shares issued under share schemes		–	–	4	(4)	–	–	–
Purchase of own shares for cancellation	12	(8)	–	–	(140)	8	–	(140)
Dividends		–	–	–	(231)	–	–	(231)
At 31 January 2019		332	2,228	(25)	2,918	43	711	6,207

1. The other reserves represent the premium on the issue of convertible loan stock in 1993 and the merger reserve relating to the acquisition of Darty in 1993.

Notes to the Company financial statements

1 General information

The Company is non-trading and is the ultimate parent of the Kingfisher plc group ('the Group'). The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 47.

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

2 Principal accounting policies

The financial statements of Kingfisher plc ('the Company') are for the year ended 31 January 2020 ('the year' or '2019/20') and were authorised for issue by the Board of Directors on 16 June 2020. The comparative financial year is the year ended 31 January 2019 ('the prior year' or '2018/19').

The directors of Kingfisher plc, having made appropriate enquiries in particular in light of the unprecedented circumstances that have arisen since the outbreak of the Covid-19 pandemic, 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 2020. Furthermore, the Directors have concluded that there is not a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern. Further details on the going concern assessment, including the additional cash flow scenario analysis undertaken for the potential impacts of Covid-19, are set out in note 3.

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.

Changes to accounting policies as a result of new standards issued and effective

The Company adopted IFRS 16 'Leases' on 1 February 2019 on a fully retrospective basis, resulting in the restatement of comparatives for the year ended 31 January 2019. The cumulative effect of initial application is recognised as an adjustment to opening equity on the date of transition (1 February 2018). The standard supersedes IAS 17 'Leases' and is effective for periods beginning on or after 1 January 2019. Refer to note 16 for further details of the Group's initial application of IFRS 16.

The Company early adopted the IFRS 9 amendments which provides temporary relief to hedging relationships that are directly affected by IBOR reform. This has no impact on the Company's financial statements as the existing hedge relationships, described in note 23 of the consolidated financial statements, will terminate in advance of the planned IBOR replacement date.

Other new standards, amendments and interpretations are in issue and effective for the Company's financial year ended 31 January 2020, but they do not have a material impact on the Company's financial statements.

Standards issued but not yet effective

New standards, amendments and interpretations which are in issue but not yet effective are not expected to have a material impact on the Company's financial statements.

a. Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange at the balance sheet date. Exchange differences on monetary items are taken to the income statement.

Principal rate of exchange against Sterling:

Euro	2019/20	2018/19
Year end rate	1.19	1.15

The financial statements are presented in Sterling, which is the Company's presentation currency and the currency of the primary economic environment in which the entity operates (i.e. its functional currency).

b. Leased assets

(i) Lessee accounting

The Company assesses whether a contract is or contains a lease at inception of the contract. Typically, lease contracts relate to properties such as the Company's Head Office. For leases in which the Company is a lessee, the Company recognises a right-of-use asset and a lease liability.

The liability is initially measured as the present value of the lease payments not yet paid at the commencement date, discounted at an appropriate discount rate. Where the implicit rate in the lease is not readily determinable, an incremental borrowing rate is calculated and applied. The calculation methodology is based upon applying a financing spread to a risk-free rate, with the resulting rate including the effect of the credit worthiness of the Company, as well as the underlying term, currency and start date of the lease agreement.

Lease payments used in the measurement of the lease liability principally comprise fixed lease payments (subject to indexation/rent reviews) less any incentives. The lease liability is subsequently measured using an effective interest method whereby the carrying amount of the lease liability is measured on an amortised cost basis, and the interest expense is allocated over the lease term. The lease term comprises the non-cancellable lease term, in addition to optional periods when the Company is reasonably certain to exercise an option to extend (or not to terminate) a lease.

The Company remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever an event occurs that changes the term or payment profile of a lease, such as the renewal of an existing lease, the exercise of lease term options, market rent reviews and indexation.

The right-of-use assets are initially measured at the amount equal to the lease liability, adjusted by any upfront lease payments or incentives and any initial direct costs incurred. Subsequently, the assets are measured at cost less accumulated depreciation and impairment losses.

(ii) Lessor accounting

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

c. Investments

Investments in subsidiaries are included in the balance sheet at cost, less any provisions for impairment.

d. Employee benefits

(i) Post-employment benefits

The Company operates defined benefit and defined contribution pension schemes for its employees. A defined benefit scheme is a pension scheme which defines an amount of pension benefit which an employee will receive on retirement. A defined contribution scheme is a pension scheme under which the Company usually pays fixed contributions into a separate entity. In all cases a separate fund is being accumulated to meet the accruing liabilities. The assets of each of these funds are held under trusts and are entirely separate from the Company's assets.

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

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

For defined contribution schemes, the Company has no further payment obligations once the contributions have been paid.

The contributions are recognised as an employee benefit expense when they are due.

(ii) Share-based compensation

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

The fair value of the compensation given to subsidiaries in respect of share-based compensation schemes is recognised as a capital contribution over the vesting period. The capital contribution is reduced by any payments received from subsidiaries in respect of these schemes.

(iii) Employee Share Ownership Plan trust ('ESOP trust')

The ESOP trust is a separately administered discretionary trust. Liabilities of the ESOP trust are guaranteed by the Company and the assets of the ESOP trust mainly comprise shares in the Company.

Own shares held by the ESOP trust are deducted from equity and the shares are held at historical cost until they are sold. The assets, liabilities, income and costs of the ESOP trust are included in both the Company's and the consolidated financial statements.

e. Taxation

The tax currently payable or receivable is based on taxable profit or loss for the year.

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

Notes to the Company financial statements continued

2 Principal accounting policies continued

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.

A provision is recorded if the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it. The unavoidable costs reflect the net cost of exiting the contract.

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

g. Financial instruments

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

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

(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 risk management objective and strategy for undertaking the hedge and the relationship between the item being hedged and the hedging instrument. The Company also documents and demonstrates an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis and provides an analysis of the sources of hedge ineffectiveness. The effectiveness testing is performed at half year and year end or upon a significant change in circumstances affecting the hedge effectiveness requirements.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

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.

Judgements and sources of estimation uncertainty

The preparation of the Company financial statements requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and judgments 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.

Going concern has been added as a critical judgement, following the unprecedented circumstances that have arisen since the outbreak of the Covid-19 pandemic.

Sources of estimation uncertainty

Post-employment benefits

The present value of the defined benefit liabilities recognised on the balance sheet is dependent on a number of market rates and assumptions including interest rates of high quality corporate bonds, inflation and mortality rates. The net interest expense or income is dependent on the interest rates of high quality corporate bonds and the net deficit or surplus position. The market rates and assumptions are based on the conditions at the time and changes in these can lead to significant movements in the estimated obligations. To help the reader understand the impact of changes in the key market rates and assumptions, a sensitivity analysis is provided in note 11.

Judgements made in applying accounting policies

Going concern

The key judgements in relation to the going concern assessment are the likelihood and impact of a potential resurgence of the Covid-19 pandemic and the more durable impact of Covid-19 on the economy and household spending in the markets in which the Company's trading subsidiaries operate. Refer to note 3 of the consolidated financial statements for details of the Directors' assessment.

Based on this assessment, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes to the Company financial statements continued

3 Income statement disclosures

The audit fee for the Company and the consolidated financial statements is disclosed in note 7 of the Kingfisher plc consolidated financial statements. Fees payable to Deloitte LLP and their associates for audit and non-audit services to the Company are not required to be disclosed because the Group financial statements disclose such fees on a consolidated basis. Details of the Company's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity were safeguarded are set out in the Audit Committee Report on pages 62 to 67.

Dividend disclosures are provided in note 11 to the Kingfisher plc consolidated financial statements.

£ millions	2019/20	2018/19
Wages and salaries	24	30
Social security costs	5	5
Post-employment benefits – defined contribution	2	2
Share-based compensation	–	4
Employee benefit expenses	31	41

Number	2019/20	2018/19
Average number of persons employed		
Administration	257	267

Directors' remuneration and details of share option exercises are disclosed in the Directors' Remuneration Report on pages 68 to 93. Total Directors' remuneration for the year is £1m (2018/19: £6m).

As permitted by s408 of Companies Act 2006, no separate income statement or statement of comprehensive income is presented in respect of the parent Company. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet.

4 Leases

The Company is a lessee and intermediate lessor of office space.

Right-of-use assets

£ millions	2019/20	2018/19
Land and buildings	4	6
Net carrying amount	4	6

Additions to right-of-use assets during the year were £nil (2018/19: £nil).

Amounts included in profit and loss

£ millions	2019/20	2018/19
Depreciation of right-of-use assets		
Land and buildings	(2)	(2)

Other lease disclosures

Lease arrangements under which rental payments are contingent upon sales, other performance or usage are not significant for the Company.

There are no corporate restrictions imposed by lease arrangements such as those concerning dividends, additional debt and further leasing.

Lease liabilities

£ millions	2019/20	2018/19
Current	3	1
Non-current	4	8
	7	9

5 Investments

£ millions	Investment in subsidiary
At 1 February 2019	6,831
Capital contributions given relating to share-based payments	11
Contributions received relating to share-based payments	(19)
At 31 January 2020	6,823

The more significant subsidiary undertakings of the Company at 31 January 2020 and the ultimate percentage holding are set out below. For a full list of subsidiaries and related undertakings, see note 15.

	Country of incorporation and operation	% interest held and voting rights	Class of share owned	Main activity
B & Q Limited	United Kingdom	100%	Ordinary & Special ¹	Retailing
B&Q Properties Limited	United Kingdom	100%	Ordinary	Property investment
Halcyon Finance Limited	United Kingdom	100%	Ordinary	Financing
Kingfisher Digital Limited	United Kingdom	100%	Ordinary	Digital services
Kingfisher Holdings Limited	United Kingdom	100%	Ordinary	Holding company
Kingfisher International Products Limited	United Kingdom	100%	Ordinary	Sourcing
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 France S.A.S.U.	France	100%	Ordinary	Retailing
Euro Dépôt Immobilier S.A.S.U.	France	100%	Ordinary	Property investment
Kingfisher Investissements SAS	France	100%	Ordinary	Holding company
L'Immobilière Castorama S.A.S.U.	France	100%	Ordinary	Property investment
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
Bricostore Romania S.A. ²	Romania	100%	Ordinary	Retailing
Castorama RUS LLC ²	Russia	100%	Ordinary	Retailing
Euro Dépôt España S.A.U.	Spain	100%	Ordinary	Retailing

1. The special shares in B & Q Limited are owned 100% by Kingfisher plc and are non-voting.

2. Owing to local conditions, these companies prepare their financial statements to 31 December.

At each reporting date an assessment is performed as to whether there are any indicators that the Company's investments may be impaired and, should such indicators exist, the recoverable amounts are estimated. At the balance sheet date, the Company's market capitalisation was less than the carrying amount of its investment which is an indicator of impairment.

Impairment reviews have been performed for the Company's investments with no resulting impairments. The Board has reviewed a sensitivity analysis and does not consider that a reasonably possible change in the assumptions used in the value-in-use calculations would cause the carrying amount of the Company's investment to exceed their recoverable amounts.

6 Trade and other receivables

£ millions	2019/20	2018/19 restated (note 16)
Current		
Owed by Group undertakings	6,323	4,493
Property debtors	1	-
Sublease receivables	1	1
	6,325	4,494

Notes to the Company financial statements continued

7 Trade and other payables

£ millions	2019/20	2018/19
Current		
Owed to Group undertakings	6,837	5,069
Other taxation and social security	3	4
Accruals and other payables	29	34
	6,869	5,107

Amounts owed to Group undertakings are repayable on demand and any interest due thereon is at current market rates.

8 Borrowings

£ millions	2019/20	2018/19
Current		
Fixed term debt	42	–
	42	–
Non-current		
Fixed term debt	91	136
	91	136

Details of the fixed term debt, representing EUR50m Medium Term Notes, a EUR50m term loan and a GBP50m term loan are given in note 22 to the consolidated financial statements.

Refer to note 17 for further information on the Company's borrowings after the balance sheet date.

9 Derivatives

£ millions	2019/20	2018/19
Foreign exchange contracts	6	10
Derivative assets	6	10
Cross currency interest rate swaps	(5)	(2)
Foreign exchange contracts	(19)	(11)
Derivative liabilities	(24)	(13)

The cross currency interest rate swap contracts convert the Euro fixed term floating rate debt to Sterling floating rate debt. Details of these contracts are given in note 23 to the consolidated financial statements. In the prior year, the cross currency interest rate swap contracts converted the USPP fixed rate debt into floating rate Sterling debt based on 6-month LIBOR plus a margin.

The fair values are calculated by discounting future cash flows arising from the instruments and adjusted for credit risk. These fair value measurements are all made using observable market rates of interest, foreign exchange and credit risk. Further details are given in note 23 to the consolidated financial statements.

10 Provisions

£ millions	Onerous property contracts
At 1 February 2019 restated (note 16)	2
At 31 January 2020	2
Current liabilities	–
Non-current liabilities	2
	2

Within the onerous property contracts provision, the Company has provided against future liabilities for all properties sublet at a shortfall and long-term idle properties. The provision is based on the present value of future cash outflows relating to rates and service charges.

11 Post-employment benefits

The Company participates in both a funded defined benefit scheme and a funded defined contribution scheme.

Defined contribution scheme

Pension costs for the defined contribution scheme, at rates specified in the scheme's rules, are as follows:

£ millions	2019/20	2018/19
Charge to operating profit	2	2

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

Defined benefit scheme

Kingfisher plc is one of a number of Group companies that participate in the Kingfisher Pension Scheme, and therefore the Company has accounted for its share of the scheme assets and liabilities. The Group's policy is for each entity to recognise its share of assets and liabilities based on the proportion of the scheme contributions paid by that entity. See note 27 to the consolidated financial statements for further detail on the Kingfisher Pension Scheme. The valuation of the scheme has been based on the most recent actuarial valuation as at 31 March 2019 and has been updated to 31 January 2020.

The final salary pension scheme was closed to future benefit accrual with effect from July 2012.

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

In 2010/11 and 2011/12 the Company entered into two phases of a property partnership arrangement with the scheme Trustee to address an element of the scheme deficit. Further details on this arrangement are given in note 27 to the consolidated financial statements. The reported pension position reflects the Company's share of the resulting scheme asset.

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 2019	(83)	98	15
Interest (expense)/income	(2)	2	-
Actuarial (losses)/gains ¹	(10)	11	1
Contributions paid by employer	-	1	1
Benefits paid	3	(3)	-
At 31 January 2020	(92)	109	17
At 1 February 2018	(88)	100	12
Interest (expense)/income	(2)	2	-
Actuarial gains ¹	2	-	2
Contributions paid by employer	-	1	1
Benefits paid	5	(5)	-
At 31 January 2019	(83)	98	15

1. Representing the total amounts recognised in other comprehensive income for the year.

The fair value of scheme assets is analysed as follows:

£ millions	2019/20	2018/19
Equities	5	5
Government and corporate bonds	77	73
Property	1	1
Cash and other	26	19
Total fair value of scheme assets	109	98

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

Assumption	Change in assumption	Impact on defined benefit obligation
Discount rate	Increase/decrease by 0.5%	Decrease/increase by £10m
Price inflation	Increase/decrease by 0.5%	Increase/decrease by £8m
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £8m
Mortality	Increase in life expectancy by one year	Increase by £3m

Notes to the Company financial statements continued

12 Called up share capital

	Number of ordinary shares millions	Ordinary share capital £ millions
Allotted, called up and fully paid:		
At 1 February 2019	2,110	332
At 31 January 2020	2,110	332

Ordinary shares have a par value of 15⁵/₇ pence per share.

In the prior year the Group purchased 51 million of the Company's own shares for cancellation at a cost of £140m as part of its capital returns programme.

13 Share-based payments

The Company operates a number of share incentive plans including the Kingfisher Alignment Share and Transformation Incentive Plan ('KASTIP'), Kingfisher Incentive Share Plan ('KISP'), Long Term Incentive Plan ('LTIP') and Sharesave plans in the UK and Ireland.

Options have been exercised on a regular basis throughout the year. On that basis, the weighted average share price during the year, rather than at the date of exercise, is £2.19 (2018/19: £2.83). 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 5.8 years (2018/19: 5.2 years).

In the prior year the Company recognised a total expense of £4m for the year ended 31 January 2019 relating to equity-settled share-based payment transactions.

The Executive Directors' awards are disclosed in the Directors' Remuneration Report on pages 68 to 93. The KASTIP awards are described as part of the Directors' Remuneration Report.

Under the KISP, share awards are deferred for three years. The awards were granted as nil cost options. Vesting dates may vary according to individual grants.

LTIP was granted annually based on performance over a three-year period. Performance conditions were based on 50% EPS and 50% Kingfisher Economic Profit ('KEP'). The awards were granted as nil cost options, and only accrue dividends after they vest. Vesting dates varied according to individual grants.

Under the UK Sharesave scheme, eligible UK employees have been invited to enter into HMRC-approved savings contracts for a period of three or five years, whereby shares may be acquired with savings under the contract. The option price is the average market price over three days shortly before the invitation to subscribe, discounted by 20%. Options are exercisable within a six-month period from the conclusion of a three- or five-year period. The Irish Sharesave plan, which operates along similar lines to the UK Sharesave scheme, includes eligible employees in Ireland.

The rules of all schemes include provision for the early exercise of options in certain circumstances.

The Employee Share Ownership Plan trust ('ESOP trust')

The ESOP trust is funded by an interest free loan from the Company of £77m (2018/19: £85m) to enable it to acquire shares in Kingfisher plc. The shares are used to satisfy options awarded under the Delivering Value Incentive award, Alignment Share award, KISP and LTIP.

The ESOP trust's shareholding at 31 January 2020 is 8 million shares (2018/19: 7 million shares) with a nominal value of £1m (2018/19: £1m) and a market value of £23m (2018/19: £17m). Dividends on these shares were waived for the interim and final dividends.

14 Related party transactions

During the year, the Company carried out a number of transactions with related parties in the normal course of business and on an arm's length basis. The names of the related parties, the nature of these transactions and their total value are shown below:

£ millions	2019/20		2018/19	
	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	0.3	–	0.2	–
Transactions with the Kingfisher Pension Scheme				
Provision of administrative services	1.0	0.2	1.5	–

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 68 to 93.

Other transactions with the Kingfisher Pension Scheme are detailed in note 11.

15 Related undertakings of the Group

In accordance with Section 409 of the Companies Act 2006, a full list of related undertakings as at 31 January 2020, 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. ¹	Immobilière de l'Épinoy S.A.S. ¹	La Tourelle S.A.S. ¹¹
Alcedo Finance Limited ²⁷	KF3 S.A.S. ¹	Locke & Co Limited ⁸
B&Q (Retail) Guernsey Limited ³	KF5 S.A.S. ¹	Martin Pecheur Finance S.A.R.L. ²²
B&Q (Retail) Jersey Limited ⁴	KF7 S.A.S. ¹	Martin Pecheur Holdings Limited ²³
B&Q Ireland Limited ⁵	KFL7 S.A.S. ¹	Martin Pecheur Investments Limited ²⁴
B & Q Limited ^{a,6}	KFL8 S.A.S. ¹	Martin Pecheur Limited ²⁴
B&Q Properties Chesterfield Limited ⁶	KFS Sp. z o.o. ¹²	Martin Pecheur Sterling Investments Limited ²
B&Q Properties Chestnut Retail Park Limited ⁶	Kingfisher Développement SAS ¹	Moretti (UK) Limited ⁸
B&Q Properties Farnborough Limited ⁶	Kingfisher (Paddington) Limited ²	New England Paint Company Limited ²
B&Q Properties Investments Limited ⁷	Kingfisher (Shanghai) Sourcing Consultancy Co. Limited ²⁰	No Nonsense Limited ⁸
B&Q Properties Limited ⁶	Kingfisher Asia Limited ⁶	Owl Developments Sp. z.o.o. ¹²
B&Q Properties New Malden Limited ⁶	Kingfisher B.V. 17	Paddington Investments Ireland Limited ²³
B&Q Properties Nursling Limited ⁶	Kingfisher Digital Limited ²	Plumbfix Limited ⁸
B&Q Properties South Shields Limited ⁶	Kingfisher France Limited ²	Portswood B.V. ¹⁷
B&Q Properties Sutton-In-Ashfield Limited ⁶	Kingfisher France Services S.A.S. ¹	Portswood Investments Limited ²
B&Q Properties Swindon Limited ⁶	Kingfisher Group Limited ²	Powersmith Limited ⁸
B&Q Properties Witney Limited ⁶	Kingfisher Holdings B.V. ¹⁷	ProLand Corporation LLC 25
B&Q Properties Wrexham Limited ⁶	Kingfisher Holdings Limited b. ²	Screwfix Direct Limited e. ⁸
Bargain Bob's Limited ⁸	Kingfisher Information Technology Services (France) S.A.S. ¹	Screwfix Direct (Ireland) Limited ⁵
Brico Communication S.R.L. ⁹	Kingfisher Information Technology Services (UK) Limited ²	Screwfix Investments Limited ²
Brico Dépôt Portugal S.A. ¹⁰	Kingfisher Insurance Designated Activity Company ⁸	Screwfix Limited ⁸
Brico Dépôt S.A.S. ¹¹	Kingfisher International Finance S.A. ¹⁹	Screwfix S.A.S. ¹
Brico Supply S.A. ⁹	Kingfisher International France Limited ²	Screws Limited ⁸
Bricostore Romania S.A. ⁹	Kingfisher International Holdings Limited ²	SFD Limited ⁸
Castim Sp. z o.o. ¹²	Kingfisher International Holdings S.A.S. ¹	Sheldon Euro Investments 2 Limited ²
Castorama France S.A.S. ¹³	Kingfisher International Products B.V. ¹⁷	Sheldon Euro Investments Limited ²
Castorama Partenariat SNC ¹	Kingfisher International Products France S.A.S. ¹	Sheldon Holdings Limited ²
Castorama Polska Sp. z o.o. ¹²	Kingfisher International Products Limited ²	Sheldon Poland Investments Limited ²
Castorama RUS LLC 14	Kingfisher International Products Romania SRL ⁹	Sheldon Sterling Investments Limited ²
Dickens Limited ⁶	Kingfisher International Products RUS LLC 14	Site (UK) Limited ⁸
DIY Express Limited ⁸	Kingfisher Investissements SAS ¹³	SNC Dynastock ²⁷
EasyDrive (GB) Limited ⁸	Kingfisher Nominees Limited ²	SOCODI S.A.R.L. ¹
Eijsvogel Finance Limited ²	Kingfisher Pension Trustee Limited ²	Société Letranne S.C.I. ¹¹
Electricfix Limited ⁸	Kingfisher Properties Investments Limited ²	Street Club Limited ⁶
Erbauer (UK) Limited ⁸	Kingfisher Scottish Limited Partnership d. ³⁰	Titan Power Tools (UK) Limited ⁸
Euro Dépôt España SAU. ¹⁵	Kingfisher Sourcing Eastern Europe Sp. z o.o. ¹²	Trade Point Limited ⁶
Euro Dépôt Immobilier S.A.S. ¹¹	Kingfisher TMB Limited ⁶	Watersmith UK Limited ⁸
Forge Steel Limited ⁸	Kingfisher UK Investments Limited ²	Wildbird International Limited f. ⁸
Geared Up Limited ⁸	Kingfisher UK Limited ²	Zeus Land Investments Limited ²
Good Home Products Limited ²	KSO Istanbul Sourcing Ev Geliştirme Ürünleri ve Hizmetleri Limited Şirketi ²¹	
Halcyon Finance Limited ²	L'Immobilière Castorama S.A.S. ¹³	

Related undertakings other than subsidiaries

Crealfi S.A. (France, 49%)²⁸

Koçtaş Yapı Marketleri Ticaret A.S. (Turkey, 50%)²⁹

(a) Kingfisher plc holds 1,000 Special Shares of £0.05 each, and 1,000 Special A Shares of £0.05 each – both representing 100% of the nominal value of each class of share.

The shares held by Kingfisher plc represent less than 0.01% of the total issued share capital and are non-voting. The remaining shares in issue are Ordinary shares, have voting rights attached and are held by Kingfisher Investissements S.A.S.

(b) The shares are held directly by Kingfisher plc.

(c) Kingfisher Properties Investments Limited and Kingfisher Pension Trustee Limited are the limited partners; B&Q Properties Investments Limited is the general partner.

(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.

Notes to the Company financial statements continued

15 Related undertakings of the Group continued

Registered offices and country of incorporation:

1. Parc d'Activités, Templemars, 59175, France
2. 3 Sheldon Square, Paddington, London, W2 6PX, United Kingdom
3. Canada Court, Upland Road, St Peter Port, GY1 2AS, Guernsey
4. Gaspe House, 66-72 Esplanade, St. Helier, JE2 3QT, Jersey
5. 6th Floor, 2 Grand Canal Square, Dublin 2, Ireland
6. B&Q House, Chestnut Avenue, Chandlers Ford, Eastleigh, Hampshire, SO53 3LE, United Kingdom
7. 124-125 Princess Street, Edinburgh, AB10 1YB, Scotland, United Kingdom
8. Trade House, Mead Avenue, Houndstone Business Park, Yeovil, BA22 8RT, United Kingdom
9. 1-3 Calea Giulesti, 2nd floor, Bricostore Commercial Centre, District 6, Bucharest, Romania
10. Rua Castilho, 5 - 1º Esq. Sala 12, Freguesia de San Mamede, Concelho de Lisboa, Portugal
11. 30-32 Rue de la Tourelle, 91310 Longpont-sur-Orge, France
12. ul. Krakowiaków 78, 02-255, Warsaw, Poland
13. Zone Industrielle, 59175 Templemars, France
14. Derbenevskaya nab. 7, Building 8, 115114, Moscow, Russian Federation
15. C/ la Selva, 10 Inblau Edificio A 1a, 08820 El Prat de Llobregat, Barcelona, Spain
16. 2/F, Koho, 73 - 75 Hung To Road, Kwun Tong, Hong Kong
17. Rapenburgerstraat 175, E, 1011 VM, Amsterdam, Netherlands
18. Willis Towers Watson House, Elm Park, Merrion Road, Dublin 4, Ireland
19. Regus Park Atrium, Rue des Colonies 11, 1000 Brussels, Belgium
20. B&Q China, 4th Floor, B&Q Pudong Commercial Building, No. 393 Yin Xiao Road, Pudong New Area, Shanghai, 201204, China
21. Çolakoglu Is Merkezi Turgut Özal Bulvarı . No: 82/3-4-5-6 Taşd. Çekmeköy, İstanbul, Turkey
22. 99 Grand-rue, L-1661, Luxembourg
23. 1st - 2nd Floors, 1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland
24. Ogier House, The Esplanade, St Helier, JE4 9WG, Jersey
25. 12 Krasnopresnenskaya Naberezhnaya, 123610, Moscow, Russian Federation
26. Parc d'Activités, Zone Industrielle, Templemars, 59175, France
27. 1 Rue Victor Basch, CS 70001, MASSY CEDEX, 91038, France
28. Tasdelen, Sile otobani 11Km.Alemdar Sapagi Sirri Celik Bulvari, No.1C.Blok Cekmekoy, Istanbul, 34788, Turkey
29. Womble Bond Dickinson (UK) LLP, 2 Sempie Street, Edinburgh, EH3 8BL, Scotland

16 Impact on the adoption of IFRS 16 Leases

Initial adoption of IFRS 16 'Leases'

The Company adopted IFRS 16 on 1 February 2019 on a fully retrospective basis, resulting in the restatement of comparatives for the year ended 31 January 2019. The cumulative effect of initial application is recognised as an adjustment to opening equity on the date of transition (1 February 2018).

The effect of the changes made to the Company's comparative balance sheets are as follows:

Company balance sheets – IFRS 16 restatements

£ millions	2018/19			2017/18		
	As previously reported	Impact of IFRS 16	Restated	As previously reported	Impact of IFRS 16	Restated
Non-current assets						
Right-of-use assets	–	6	6	–	6	6
Investment in subsidiary	6,831	–	6,831	6,825	–	6,825
Post-employment benefits	15	–	15	12	–	12
	6,846	6	6,852	6,837	6	6,843
Current assets						
Trade and other receivables	4,494	–	4,494	4,133	–	4,133
Derivative assets	10	–	10	40	–	40
Current tax assets	49	–	49	44	–	44
Cash and cash equivalents	69	–	69	55	–	55
	4,622	–	4,622	4,272	–	4,272
Total assets	11,468	6	11,474	11,109	6	11,115
Current liabilities						
Trade and other payables	(5,107)	–	(5,107)	(4,819)	–	(4,819)
Borrowings	–	–	–	(125)	–	(125)
Lease liabilities	–	(1)	(1)	–	(1)	(1)
Derivative liabilities	(11)	–	(11)	(12)	–	(12)
Provisions	–	–	–	(1)	–	(1)
	(5,118)	(1)	(5,119)	(4,957)	(1)	(4,958)
Non-current liabilities						
Borrowings	(136)	–	(136)	–	–	–
Lease liabilities	–	(8)	(8)	–	(7)	(7)
Derivative liabilities	(2)	–	(2)	–	–	–
Provisions	(3)	1	(2)	(3)	1	(2)
	(141)	(7)	(148)	(3)	(6)	(9)
Total liabilities	(5,259)	(8)	(5,267)	(4,960)	(7)	(4,967)
Net assets	6,209	(2)	6,207	6,149	(1)	6,148
Equity						
Share capital	332	–	332	340	–	340
Share premium	2,228	–	2,228	2,228	–	2,228
Own shares held in ESOP trust	(25)	–	(25)	(29)	–	(29)
Retained earnings	2,920	(2)	2,918	2,864	(1)	2,863
Capital redemption reserve	43	–	43	35	–	35
Other reserves	71	–	71	71	–	71
Total equity	6,209	(2)	6,207	6,149	(1)	6,148

Balance sheet

IFRS 16 right-of-use assets and lease liabilities have been recognised for in-scope property and equipment lease contracts.

IAS 17 rental prepayments and accruals have been derecognised from other receivables and payables respectively, the former partially offset by recognition of sublease assets.

IAS 17 onerous lease rental provisions have been derecognised.

Retained earnings have reduced, reflecting the higher cumulative expenses under IFRS 16.

17 Post balance sheet events

The effects of the Covid-19 pandemic and the related financial statement impacts could not have been reasonably anticipated at 31 January 2020 and are therefore deemed to be non-adjusting post balance sheet events.

On 9 May 2020, the Company entered into a new committed Revolving Credit Facility (RCF) with a syndicate of its relationship banks, comprising £250m, due to expire in May 2021, bringing the total value of RCFs available to the Group to £1,025m.

The Company's eligibility to access funding under the Bank of England's Covid Corporate Financing Facility (CCFF) was confirmed in May 2020. On 12 June 2020, the Company issued £600m of 11-month Commercial Paper under the CCFF.

Group five year financial summary

£ millions	IAS 17			IFRS 16 ⁵	
	2015/16	2016/17	2017/18	2018/19	2019/20
Income statement					
Sales	10,441	11,225	11,655	11,685	11,513
B&Q China sales	(110)	–	–	–	–
Adjusted sales	10,331	11,225	11,655	11,685	11,513
Retail profit	746	847	849	824	786
Central costs	(45)	(48)	(46)	(69)	(62)
Share of interest and tax of joint ventures and associates (before exchange differences on lease liabilities)	(5)	(5)	(4)	(5)	(7)
Net finance costs before financing fair value remeasurements ('FFVR'), exchange differences on lease liabilities ('Lease FX') and exceptional items	(10)	(7)	(2)	(176)	(173)
Transformation P&L costs ⁶	–	(44)	(114)	–	–
Adjusted pre-tax profit	686	743	683	574	544
B&Q China operating loss	(4)	–	–	–	–
Exceptional items (before tax)	(166)	17	–	(267)	(441)
FFVR and Lease FX	(4)	(1)	(1)	(7)	–
Profit before taxation	512	759	682	300	103
Income tax expense (including exceptional items)	(100)	(149)	(197)	(107)	(95)
Profit for the year	412	610	485	193	8
Balance sheet					
Goodwill and other intangible assets	2,673	2,707	2,792	2,807	2,755
Property, plant and equipment and investment property	3,237	3,613	3,756	3,310	2,996
Right-of-use assets	–	–	–	2,017	1,916
Investments in joint ventures and associates	23	23	25	15	16
B&Q China investment	62	–	–	–	–
Assets and liabilities held for sale	6	–	–	89	138
Other net current assets ¹	55	51	368	429	424
Post-employment benefits	159	131	99	205	277
Other net non-current liabilities ¹	(575)	(395)	(360)	(181)	(194)
Capital employed	5,640	6,130	6,680	8,691	8,328
Equity shareholders' funds	6,186	6,771	6,748	6,149	5,802
Net (cash)/debt	(546)	(641)	(68)	2,542	2,526
Capital employed	5,640	6,130	6,680	8,691	8,328
Other financial data					
Like-for-like sales growth	2.3%	2.3%	(0.7%)	(1.6%)	(1.5%)
Adjusted effective tax rate ²	26%	26%	30%	27%	26%
Basic earnings per share (pence)	17.8	27.1	22.1	9.1	0.4
Adjusted basic earnings per share (pence)	22.0	24.4	21.8	19.8	19.1
Ordinary dividend per share (pence)	10.1	10.4	10.82	10.82	3.33
Gross capital expenditure ³	333	406	368	331	342
Number of stores ⁴	1,156	1,194	1,280	1,331	1,367

1. Other net current assets and other net non-current liabilities reported above exclude any components of net (cash)/debt.
2. 2017/18 adjusted effective tax rate (adjusted ETR) includes the impact of a one-off French tax surcharge. This increased the adjusted ETR by c.3%.
3. Excluding business acquisitions.
4. Excluding joint ventures and associates. 2017/18 excludes 3 Praktiker Romania stores that were closed in 2018/19.
5. 2019/20 stated for IFRS 16 'Leases', with restatement of 2018/19 2015/16, 2016/17 and 2017/18 are stated under IAS 17 'Leases'.
6. From 2019/20 with restatement of 2018/19 comparatives, the Group no longer reports Transformation P&L costs separately.

Shareholder Information

Financial calendar

Annual General Meeting	24 July 2020
Half year results*	22 September 2020
Q3 results*	19 November 2020

* Please note that these dates are provisional and may be subject to change.

Annual General Meeting (AGM)

We consider the AGM to be an important event in our calendar and a significant opportunity to engage with our shareholders. In light of Covid-19, the 2020 AGM will be an electronic meeting which will enable our shareholders to participate and attend, in the safest manner possible in line with UK Government guidance, without leaving their homes. This can be done by either downloading the dedicated "Lumi AGM" app or by accessing the AGM website, <https://web.lumiagm.com>. Further details of how to participate are set out in the Notice of AGM and on our website.

Company Secretary

Paul Moore

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The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

Telephone: +44(0) 370 702 0129

Shareholders can also visit our online Investor Centre, www.investorcentre.co.uk.

Dividends

The company pays all cash dividends through direct payment to shareholder bank accounts. Shareholders who have not yet notified our Registrar of their preferred payment option should do so without delay. Please note that this does not affect those shareholders who have subscribed for the Dividend Reinvestment Plan (DRIP).

In light of the unprecedented uncertainty caused by Covid-19, the Board has not proposed a final dividend in relation to 2019/20. The Board recognises the importance of dividends to shareholders and intends to consider the appropriateness, quantum and timing of future dividend payments when it has a clearer view of the scale and duration of the impact of Covid-19 on the business.

American depositary receipts (ADR)

The company has a Sponsored Level 1 ADR programme in the US, which trades on the OTCQX Platform. Each ADR represents two Kingfisher plc ordinary shares. The company's ADR programme is administered by Citibank, N.A., who were appointed by the company on 1 October 2015.

ADR investor contact

Telephone: +1 877 248 4237
E-mail: citibank@shareholders-online.com

ADR broker contact

Telephone: +1 212 723 5435 / +44 (0) 20 7500 2030
E-mail: citiadr@citi.com

Share dealing facilities

Our Registrar offers a share dealing facility through which shareholders can buy or sell Kingfisher plc ordinary shares. To take advantage of this, you should log onto www.computershare.trade.

Shareholder Information continued

ShareGift

If you would like to consider donating your shareholding to the charity ShareGift (Registered charity 1052686) further information may be obtained by calling 020 7930 3737 or from www.ShareGift.org.

Shareholder security

Details of any share dealing facilities that the company endorses will be included in company mailings. If you receive any unsolicited investment advice, whether over the telephone, through the post or by email, you should:

- make sure you get the name of the person and organisation;
- check that they are properly authorised by the FCA before getting involved by visiting <https://register.fca.org.uk/>; and
- report the matter to the FCA either by calling 0800 111 6768 or by completing an online form at www.fca.org.uk/consumers/report-scam-unauthorised-firm.

More detailed information on this or similar activity can be found on the FCA website www.fca.org.uk/scamsmart.

Share price information

The company's ordinary shares are listed on the London Stock Exchange. Share price history and the latest share price are available on the company's website.

Electronic communications

Shareholders who have not yet elected to receive shareholder documentation in electronic form can sign-up by visiting www.investorcentre.co.uk/ecomms and registering their details.

Forward-looking statements

All statements in this Annual Report and Accounts, other than historical facts, may be forward-looking statements. Such statements are therefore subject to inherent risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied, because they relate to future events.

Forward-looking statements can be identified by the use of relevant terminology including the words: 'believes', 'estimates', 'anticipates', 'expects', 'intends', 'plans', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could' 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, acts of war or terrorism worldwide, work stoppages, slowdowns or strikes, public health crises, outbreaks of contagious disease or environmental disaster, and our success in managing these factors.

Consequently, our actual future financial condition, performance and results could differ materially from the plans, goals and expectations set out in our forward-looking statements. Reliance should not be placed on any forward-looking statement. Nothing in this Annual Report and Accounts or on the Kingfisher website should be construed as a profit forecast or an invitation to deal in the securities of Kingfisher. For further information regarding risks to Kingfisher's business, please consult the Risks section on pages 36 to 45.

The forward-looking statements contained herein speak only as of the date of this Annual Report and Accounts and the company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise, other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules of the Financial Conduct Authority).

Glossary

Alternative Performance Measures (APMs)

In the reporting of financial information, the Directors have adopted various Alternative Performance Measures (APMs), also termed non-GAAP measures, of historical or future financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards (IFRS). These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including those used by other retailers. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

The APMs have been amended where necessary to reflect the adoption of IFRS 16 'Leases' from 1 February 2019 (with restated comparatives). The principal changes are the inclusion of lease liabilities within 'Net debt', the replacement of 'Lease adjusted net debt to EBITDAR' with 'Net debt to EBITDA' as a leverage ratio, and the exclusion of 'Lease FX' from adjusted performance measures.

The Group no longer reports profits on an underlying basis (refer note 2 of the consolidated financial statements).

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Adjusted basic earnings per share (EPS)	Basic earnings per share	A reconciliation of adjusted basic earnings per share is included in the Financial Review and note 10 of the consolidated financial statements	Adjusted basic earnings per share represents profit after tax attributable to the owners of the parent, before the impact of exceptional items, lease FX, FFVR, related tax items and tax on prior year items, divided by the weighted average number of shares in issue during the period. The exclusion of exceptional items, lease FX, FFVR, related tax items and tax on prior year items helps provide an indication of the Group's ongoing business performance.
Adjusted effective tax rate	Effective tax rate	A reconciliation to the overall tax rate is set out in the Financial Review	Adjusted effective tax rate is calculated as continuing income tax expense excluding tax on exceptional items and adjustments in respect of prior years and the impact of changes in tax rates on deferred tax, divided by continuing profit before taxation excluding exceptional items. The exclusion of items relating to prior years and those not in the ordinary course of business helps provide a better indication of the Group's ongoing tax rate.
Adjusted pre-tax profit	Profit before taxation	A reconciliation of adjusted pre-tax profit is set out in the Financial Review and the consolidated income statement of the consolidated financial statements	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, lease FX and FFVR. The exclusion of exceptional items, lease FX and FFVR helps provide an indication of the Group's ongoing business performance.
Adjusted post-tax profit	Profit after tax	A reconciliation of adjusted post-tax profit is set out in the Financial Review and the consolidated income statement of the consolidated financial statements	Adjusted post-tax profit is used to report the after tax performance of the business at a Group level. This is stated before exceptional items, lease FX, FFVR and tax on those items. This also excludes tax adjustments in respect of prior years and the impact of changes in tax rates on deferred tax. The exclusion of exceptional items, lease FX, FFVR and tax items relating to prior years and those not in the ordinary course of business helps provide a better indication of the Group's ongoing after tax business performance.
Central costs	No direct equivalent	Not applicable	Central costs principally comprise the costs of the Group's head office before exceptional items. This helps provide an indication of the Group's ongoing head office costs.
Constant currency	No direct equivalent	Not applicable	Constant currency changes in total sales, LFL sales, gross profit, gross margin % and retail profit reflect the year on year movements after translating the prior year comparatives at the current year's average exchange rates. These are presented to eliminate the effects of exchange rate fluctuations on the reported results.
EBITDA	Profit before taxation	A reconciliation of EBITDA is set out in the Financial Review	EBITDA (earnings before interest, tax, depreciation and amortisation) is calculated as retail profit less central costs and before depreciation and amortisation. This measure is widely used in calculating the ratio of net debt to EBITDA, and is used to reflect the Group's leverage.
Exceptional items	No direct equivalent	Not applicable	Exceptional items are certain types of income or cost that are excluded by virtue of their size and nature in order to reflect management's view of the ongoing performance of the Group. The principal exceptional items are: non-trading items included in operating profit such as profits and losses on the disposal, closure, exit or impairment of subsidiaries, joint ventures, associates and investments which do not form part of the Group's ongoing trading activities; 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 previous transformation plan launched in 2016/17 ('transformation exceptional costs'), and incremental acquisition integration costs.
FFVR	No direct equivalent	Included within net finance costs in note 6 of the consolidated financial statements	FFVR (financing fair value remeasurements) represent fair value fluctuations from financial instruments.

Glossary continued

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Free cash flow	No direct equivalent	A reconciliation of free cash flow is set out in the Financial Review	Free cash flow represents the cash generated from operations (excluding exceptional items) less the amount spent on interest, tax and capital expenditure during the year (excluding business acquisitions and disposals and asset disposals). This provides a measure of how much cash the business generates that can be used for expansion, capital returns and other purposes.
Gross margin %	No direct equivalent	Refer to definition	Gross profit represents sales from the supply of home improvement products and services (excluding VAT), less the associated cost of those sales. Gross margin % represents gross profit as a percentage of sales. It is a measure of operating performance.
Lease FX	No direct equivalent	Included within share of interest and tax of joint ventures and associates and net finance costs in notes 4 and 6 of the consolidated financial statements	Lease FX (exchange differences on lease liabilities) represents the income statement impact of translating lease liabilities denominated in non-functional currencies (e.g. a USD denominated lease in Russia).
LFL	Sales	Refer to definition	LFL (like-for-like) sales growth represents the constant currency, year on year sales growth for stores that have been open for more than one year. Stores temporarily closed or otherwise impacted due to Covid-19 are also included. It is a measure to reflect the Group's performance on a comparable basis.
Net debt	No direct equivalent	A reconciliation of this measure is provided in note 32 of the consolidated financial statements	Net debt comprises lease liabilities, borrowings and financing derivatives (excluding accrued interest), less cash and cash equivalents and short-term deposits, including such balances classified as held for sale.
Net cash flow	No direct equivalent	A reconciliation of net cash flow is set out in the Financial Review	Net cash flow is a measure to reflect the total movement in the net debt balance during the year excluding the movement in lease liabilities, exchange differences and other non-cash movements.
Retail profit	Profit before taxation	A reconciliation to profit before taxation is set out in the Financial Review and note 4 of the consolidated financial statements	Retail profit is stated before central costs, exceptional items and the Group's share of interest and tax of JVs and associates. This is the Group's operating profit measure used to report the performance of our retail businesses.
Retail profit margin %	No direct equivalent	Refer to definition	Retail profit is the Group's operating profit measure used to report the performance of our retail businesses and is separately defined. Retail profit % represents retail profit as a percentage of sales. It is a measure of operating performance.
ROCE	No direct equivalent	Refer to definition	ROCE is the post-tax retail profit less central costs, excluding exceptional items, divided by capital employed excluding historic goodwill, net cash and exceptional restructuring provision. The measure provides an indication of the ongoing returns from the capital invested in the business. Capital employed is calculated as a two point average. The calculation excludes disposed businesses (e.g. China).

Banque de France data for DIY retail sales (non-seasonally adjusted). Includes relocated and extended stores.
<http://webstat.banque-france.fr/en/browse.do?node=5384326>

E-commerce sales are sales derived from online transactions, including click & collect. This includes sales transacted on any device, however not sales through a call centre. References to digital or e-commerce sales growth relates to growth at constant currencies.

France consists of Castorama France and Brico Dépôt France.

GNFR (Goods Not For Resale) covers the procurement of all goods and services a retailer consumes (including media buying, mechanical handling equipment, printing & paper).

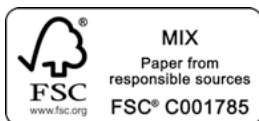
Iberia consists of Brico Dépôt Spain and Brico Dépôt Portugal.

Other International consists of Poland, Iberia, Romania, Russia, Screwfix Germany and Turkey (Koçtaş JV).

Sales refer to Group sales excluding Joint Venture (Koçtaş JV) sales.

SKU (Stock Keeping Unit) is defined as the number of individual variants of products sold or remaining in stock. It is a distinct type of item for sale, such as a product and all attributes associated with the item type that distinguish it from others. These attributes could include, but are not limited to, manufacturer, description, material, size, colour, packaging and warranty terms.

UK & Ireland consists of B&Q in the UK & Ireland and Screwfix UK & Ireland.



Printed by Park Communications on FSC® certified paper.

Park works to the EMAS standard and its Environmental Management System is certified to ISO 14001.

This publication has been manufactured using 100% offshore wind electricity sourced from UK wind.

100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled and the remaining 1% used to generate energy.

This document is printed on Edixion paper made of material from well-managed, FSC®-certified forests and other controlled sources.

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blacksunplc.com

Our own exclusive product brands

We develop our own products on a deep understanding of our customer needs. Created by our in-house design team or in collaboration with our suppliers, we use our expert knowledge and scale as a means of differentiation to create the best solutions for our customers in terms of design, functionality and value for money. Some of our own exclusive product brands are included below.



Erbauer

Get it done

Power tools aimed at the professional.



MAGNUSSON

Tough, Durable, Reliable

Hand tools for all projects.



site

Built for work

Clothing, footwear and personal protective equipment for professionals.



GoodHome

Simplicity, innovation, sustainability

Great quality, functional designs at affordable prices across all home improvement projects.



MAC ALLISTER

Quality engineering, intelligent design

Power tools for home improvers.



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SCREWFIX

