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Financial contents

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Directors' report

For the financial year ended 3 February 2001

The directors are pleased to present their report and the consolidated financial statements of the Company and its subsidiaries for the financial year ended 3 February 2001.

Principal activities

The Group trades principally as Home Improvement, Electrical and Furniture and General Merchandise retailers with stores in the UK, Continental Europe and the rest of the world. In addition, the Group has extensive interests in property, which are actively managed in the UK through Chartwell Land.

Review of activities

A detailed review of the Group's activities and of future developments is contained within the Chief Executive's review on pages 5 to 7. Details of the principal acquisitions and disposals made during the year are given as part of the notes to the accounts on page 74.

Results and dividends

The profit on ordinary activities of the Group before taxation amounted to £691.2m (2000: £712.8m) and after taxation to £520.4m (2000: £508.4m).

Out of this profit, the directors recommend the payment on 15 June 2001 of a final dividend of 11.25p (2000: 10.5p) per ordinary share £157.1m (2000: £143.7m) which, together with the interim dividend of 4.25p (2000: 4.0p) per ordinary share £59.2m (2000: £55.5m) paid on 17 November 2000, makes a total for the year of 15.5p (2000: 14.5p) per ordinary share £216.3m (2000: £199.2m). After eliminating dividends payable to the Group's Employee Share Ownership Plan Trust (ESOP), the dividend charged to the profit and loss account is £214.8m (2000: £198.2m). A scrip dividend alternative was offered to shareholders in respect of the interim dividend and will also be offered in respect of the final dividend. The directors propose to transfer the retained profit of £200.7m (Restated 2000: £210.8m) to reserves.

Events since the balance sheet date

In March 2001, the sale of the Group's interest in LibertySurf to Tiscali S.p.a. was completed. The Group received euro 71m (£45m) plus a 3.5% minority shareholding in Tiscali.

Directors

The directors of the Company are shown on pages 26 and 27. Lady Howe retired as a director on 31 May 2000, Philippe Francès retired on 6 October 2000; Roger Holmes resigned on 31 October 2000 and Philip Rowley resigned from the Board on 31 March 2001.

In accordance with Article 85 of the Articles of Association, Ian Cheshire (appointed 2 June 2000), Helen Weir, Jean-Noel Labroue (both appointed 6 October 2000) and William Whiting (appointed 31 October 2000) hold office only until the annual general meeting and, being eligible, offer themselves for election. In accordance with Article 79 of the Articles of Association, Peter Hardy, Anthony Percival and Sir John Banham retire by rotation at the annual general meeting and being eligible, offer themselves for re-election.

The Company has received special notice in accordance with section 293 of the Companies Act 1985 of the intention to propose the re-election of Bernard Thiolon, who attained the age of 72 years on 24 February 2001, as a director of the Company. Accordingly in the notice of the annual general meeting there is a resolution proposing to reappoint Bernard Thiolon as a director for a further year. The Board is supporting this resolution because it considers that M. Thiolon provides an invaluable source of knowledge and personal experience in European and international business affairs. Neither Peter Hardy nor Bernard Thiolon have service contracts with the Company.

Directors' interests

The directors' interests in shares of the Company and Castorama Dubois Investissements S.C.A. ("CDI") are shown under the Remuneration Report on pages 38 to 41. No director has any interest in any shares or loan stock of any other Group company other than a small number of shares held by certain directors in French subsidiaries of the Company as a result of the French company law requirement that directors hold "qualifying" shares.

No director other than Jean-Hugues Loyez was or is materially interested in any contract, other than his service contract, subsisting during or at the end of the financial year which was significant in relation to the Group's business. As a Commandité of CDI he has 13,105 special shares which under the Articles of CDI entitle him to a 0.13105% share of the annual distributable profits of CDI. As Chairman of the Management

Board of CDI, he is entitled to a portion of the net operating profits of CDI as remuneration for his services.The total payment of 1% of these profits is shared amongst the 12 members of the Management Board. He is also entitled as a Commandité to 157,260 shares of CDI on transformation of CDI to a Société Anonyme.The share of profits is included in the total remuneration shown for Jean-Hugues Loyez in the Remuneration Report on page 37.

Corporate governance – combined code statement

Kingfisher recognises the importance of, and is committed to, high standards of corporate governance.The principles of good governance adopted by the Group have been applied in the following way:

Directors

The Kingfisher Board currently comprises the Chairman, the Chief Executive, six other executive directors and five non-executive directors. Their biographies appear on pages 26 and 27 and illustrate the directors' range of experience, which ensures an effective Board to lead and control the Group. All directors have access to the Company Secretary and may take independent professional advice at the Group's expense. Non-executive directors are appointed for an initial term of three years and each director receives appropriate training as necessary.There is no "recognised" identified senior independent non-executive director other than the Chairman.The Board considers that the appointment of such a senior non-executive director, in compliance with the Combined Code, could be divisive.

The Board meets not less than 11 times a year and has adopted a schedule of matters reserved for its decision. It is primarily responsible for the strategic direction of the Group. All directors have full and timely access to information.The Board has undertaken an independent review of its effectiveness, by appointing The Institute of Chartered Secretaries and Administrators (ICSA) to conduct a Board Performance Evaluation. This evaluation process was developed by ICSA with contributions from representatives of major institutional investors.

The Board has established five standing committees with defined terms of reference as follows:

- The Audit Committee, chaired by John Bullock, comprises not less than three independent non-executive directors.This committee is responsible for providing an independent oversight of the Group's systems of internal control and financial reporting processes. Each of our major operating businesses has its own audit committee, meetings of which are attended by both Kingfisher's internal auditor and the external auditors.

- The Nomination Committee comprises the Chairman, Chief Executive and three other independent non-executive directors and is responsible for the consideration of and recommendation for the appointment of new directors.

- The Remuneration Committee comprises the Chairman and three other independent non-executive directors and is responsible, on behalf of the Board, for setting the Company's executive remuneration policy and its costs and for the application of this policy to the remuneration and benefits of executive directors and certain senior executives. Because of this delegated responsibility, the Company does not fully comply with the provision of the Combined Code relating to the setting of the executive remuneration policy.The Remuneration Report on pages 32 to 41 contains a more detailed description of the Group's policy and procedures in relation to directors' and officers' remuneration.

- The Finance Committee comprises the Chief Executive and three executive directors and is responsible for the approval and authorisation of financing documents within its terms of reference and the authority limits laid down by the Board. On behalf of the Board, it reviews borrowing arrangements and other financial transactions, and makes appropriate recommendations. It also allots new shares in the Company to Group employees following the exercise of share options.

- The Social Responsibility Committee comprises representatives of the operating companies and at least one executive director and one non-executive director.This committee is responsible for discussing and developing a general policy relating to environmental, community and equal opportunities matters. Sir Geoffrey Mulcahy is chairman of this committee and the main Board director with overall responsibility for environmental matters.

Re-election of directors

The Articles of Association require one third of the Board to retire and submit themselves for re-election each year. At the present time no director will have held office for more than three years since his last election or re-election. Names of directors submitting themselves for election or re-election are shown on page 29.

Directors' remuneration

The Remuneration Committee, on behalf of the Board, ensures that the directors' remuneration is sufficient to attract and retain the directors needed to run the Group successfully. Full details of individual directors' remuneration is shown on pages 32 to 41. Some executive directors have service contracts which are terminable by the Group with notice periods of between 18 and 24 months. As such, this does not comply with one of the provisions of the Combined Code. The Board believes that it is in the best interests of shareholders to retain key executive directors while providing certainty and facilitating a speedy and clean break on early termination by agreeing liquidated damages which reflect a discount to take account of an agreed level of mitigation.

Relations with shareholders

Kingfisher maintains an active dialogue with its shareholders through a planned programme of investor relations. This activity is a key component of its corporate communications programme and is headed by the Director of Investor Relations.

The programme includes formal presentations in both London and Paris of full-year and interim results, trading statements on three other occasions during the year and meetings between institutional investors and senior management on a regular basis. Following the separation of the more seasonal General Merchandise businesses, Kingfisher will no longer be making a Christmas trading statement. In its place a fourth quarter sales update will be made soon after the end of the financial year.

Regular communication with shareholders also takes place through the Annual and Interim Reports and via the Company website *(www.kingfisher.com)*.

The annual general meeting is used as an important opportunity for communication with both institutional and private shareholders, including a short presentation on the business and its latest trading position.

Accountability and audit

Going concern

A statement in accordance with the going concern principle is included in the financial review on page 25 of the annual report.

Internal control

The Board of Directors has overall responsibility for the system of internal control and for reviewing its effectiveness throughout the Kingfisher Group. However such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The effectiveness of the internal control system is reviewed by the Group Audit Committee on behalf of the Board.

The Board considers risk assessment and control to be fundamental to achieving its corporate objectives within an acceptable risk/reward profile, and confirms that there is an ongoing process for identifying and evaluating the significant risks faced by the Group and the effectiveness of related controls. This process is regularly reviewed by the Board and accords with the Turnbull guidance on internal control. The key elements of this process, which have been in place throughout the year under review and up to the date of this report, are:

the Board of Directors:

- has approved a set of policies, procedures and frameworks that are designed to facilitate the operation of effective internal control, which includes the provision of quality internal and external reporting and compliance with applicable laws and regulations. These are periodically reviewed and updated;
- regularly updates the Group's strategy and reviews the strategies of the operating companies/business areas;
- reviews and assesses the Group's key risks at least annually;
- reviews performance through a comprehensive system of reporting, based on an annual budget with monthly business reviews against actual results, analysis of variances, key performance indicators and regular forecasting;
- has well defined policies governing appraisal and approval of capital expenditure, and treasury operations;
- seeks assurance that effective control is being maintained through regular reports from the Audit Committee and various independent monitoring functions.

the Business Head of each operating/business area:

- maintains systems for the continuous identification and evaluation of significant risks resulting from their strategies, and applicable to their areas of the business;
- reviews and monitors the effectiveness of the system of internal control through an operating company audit committee and the reports he/she receives from the Internal and External Audit functions;
- self certifies that he/she is clearly accountable for establishing and monitoring internal controls within his/her business and that processes are in place and that they comply with Group policies and reports on any control weaknesses or breakdown considered as material to the Group.

the Business Risk Management function:

- works with the businesses to further develop, improve and embed risk management processes and tools in the business operations. It is responsible for ensuring that business risks are identified, managed and regularly reviewed at all levels of the Group and that the directors are periodically appraised of the key risks in accordance with the Turnbull code.

the Internal Audit function:

- the Group has a long established audit function with appropriate expertise. Internal Audit is responsible for providing the Board with independent and objective assurance on the control environment across the Group, for ensuring that the operating companies are subject to internal audit of the required quality and that, in companies where this function is in the process of being established, work is undertaken to provide the necessary assurances on controls to the Audit Committee.

These processes and organisation enable the directors to confirm that they have reviewed the effectiveness of the system of internal control.

Compliance with the Combined Code

During the year ended 3 February 2001, the Group complied with the requirements of the Combined Code except as disclosed above. For recent acquisitions, including Streets Online and Datart, the Group is identifying any additional procedures which may be necessary to bring the subsidiary companies within the Group's governance procedures.

Remuneration report

Remuneration Committee

The Remuneration Committee consists of independent non-executive directors, currently Sir John Banham (Chairman), John Bullock, Peter Hardy and Michael Hepher.

The Committee's aim is to ensure that the executive directors are rewarded for their contribution to the Group and motivated to enhance the return to shareholders. The Remuneration Committee is responsible, on behalf of the Board, for setting the remuneration policy for executive directors and applies it in relation to the remuneration packages of individual executive directors. No major changes were made to the remuneration policy during the year.

The Committee is advised internally by the Group Director of Human Resources and the Director of Reward and Benefits. External advice is sought from a range of consultants on specific issues, but principally from Towers Perrin, New Bridge Street and the Monks Partnership.

Remuneration policy

The Committee intends that executive director remuneration is positioned in the upper quartile for the market place. This is designed to ensure business success through the recruitment, retention and motivation of the highest quality executives. This policy is consistently applied across the Group for the remuneration of executive directors and senior managers.

Executive directors' base salaries are positioned as upper quartile and are then supplemented by variable rewards at a level consistent with market practice. They are governed by performance conditions to ensure that maximum variable rewards are paid only for exceptional performance.

This remuneration package is aligned with shareholders' interests through an annual bonus scheme which is based on an earnings per share formula; a long-term incentive scheme which is based on total shareholder return relative to other comparable retail companies and through the provision of share options to executive directors.

Any major changes in remuneration policy will be tabled for shareholder approval and lesser changes will be discussed with the Company's principal shareholders. As there have been no major changes to the remuneration policy during the year, it is not proposed to invite shareholders to vote on the policy at this year's annual general meeting.

Components of remuneration

Salaries and benefits

Salaries are reviewed annually in August in the context of market conditions affecting executive remuneration; affordability; the level of increases awarded to staff throughout the business; and the need to reflect the individual's contribution. In addition to salaries and the items described below, the Company provides a range of competitive benefits, the most significant of which is a fully-expensed car.

Annual bonus

Bonus awards are assessed against a wide range of corporate, business and individual objectives, reflecting particularly those factors that are measurable and which are drivers of shareholder value.

For executive directors at the Group level, annual bonus is based on real growth in earnings per share averaged over three years. For those executive directors who have a major responsibility for specific businesses, a significant proportion of their bonus is derived from the performance achieved by that business against targets set at the beginning of the year, based on both financial and non-financial objectives.

The Committee anticipates that annual bonuses for this year will be 30% for achieving target with higher performance leading to a higher bonus.

Bonuses are non-pensionable.

Share options

The Company has share option schemes for executive directors and senior managers both in the UK and overseas. A UK savings-related share option scheme (ShareSave) is open to all eligible employees in the UK. An International Sharesave Plan operates in France, Belgium and Hong Kong along similar lines to the UK plan, with the intention to extend this further across the Group. In addition, a phantom share option scheme, which in all respects operates as other share option plans but is cash rather than share based, is selectively used where the share option scheme is inappropriate.

Subject to satisfactory personal performance, executive share options are granted to executive directors and senior managers biannually as a percentage of the individual's base salary, ranging from 25% to 100% depending on their seniority within the Group. An additional grant equal to the normal biannual grant was made in April 2000 to senior managers as a special incentive towards creating a greater Group focus.

Normally, options can only be exercised after they have been held for a minimum period of three years (five years for French options for tax and social security reasons). Options granted from 1996 onwards are subject to the achievement of an additional performance measure that real earnings per share grow by at least 6% over three years.

A shareholding requirement will take effect for grants in 2001 whereby options will only be granted if the individual holds shares equal in value to the options to be granted or, in respect of any exercises of options within the previous three years, has retained at least 30% of any gain in shares.

Options are used to align the interests of senior managers with those of shareholders and to enable them to share in the success of the Group. The granting of options on a regular basis ensures any reward is spread over a number of years; is allied to the growth in share value over the long term, and avoids substantial fortuitous one-off gains. The shareholding requirement will encourage individuals to leave their options unexercised for longer periods or to hold shares directly.

Long-term incentives

Executive directors participate in the Kingfisher Value Enhancement Plan (VEP), an incentive plan linked to total shareholder return relative to a peer group of companies.

Each year, a three-year performance cycle commences from 1 February. For each three-year Plan period, the Company's total shareholder return (share price and re-invested dividend) is calculated by taking the ratio of the shareholder return indices averaged over the previous 12 months at the start and end of the Plan period. This is then compared against the total shareholder returns of 15 other retail companies as selected by the Committee. Providing the Company performs in the top half of the peer group the reward would range from 30% to a maximum of 70% of base salary. One third of the bonus award would be paid in cash with the remainder used to purchase shares which could only be realised over a further two years.

At the year-end, the 1998/01 VEP matured with the Company ranked third with a total shareholder return of 42%. Bonuses of 55% and 45.83% of salary were allocated to Sir Geoffrey Mulcahy and Philip Rowley respectively, of which a third is payable in March 2001, with the remaining two thirds used to purchase shares – half of which could be realised in March 2002 and half in March 2003. In addition, half the shares allocated last year under the 1997/00 VEP were realised in March 2001 with the remaining half realised in March 2002. Also, the remaining shares allocated under the 1996/99 VEP were realised in March 2001. The outstanding payments for Philip Rowley lapsed on him leaving the Group on 31 March 2001 and so are not shown.

A new incentive plan, the Kingfisher Incentive Plan (KIP), was introduced from 1 February 2000 to replace the existing annual bonus and long-term incentive plans for senior managers below executive director level. The KIP is essentially a deferred bonus plan with matching shares. Each year, a deferred bonus up to a maximum of 100% of base salary is declared based on a combination of both financial and non-financial objectives. Part of this annual bonus is based on the business unit in which the individual works and part on the next level up (ie Sector or Group). The bonus is deferred for three years, during which time it increases or decreases in line with Group value. The deferred bonus is matched up to 50% in shares which are purchased in the market and held in a Trust for three years. The individual can request at any time to take part or all of the annual bonus immediately, but forfeits the matching shares in the deferred bonus to date. As a further incentive to encourage deferral and to smooth the transition from the existing plans, any bonus deferred under the 2000/01 KIP is matched 50% in cash payable immediately.

A deferred bonus was allocated under the 2000/01 KIP to Jean-Noel Labroue, William Whiting and Helen Weir in respect of their service during the year prior to their appointments as executive directors of 45% of their salaries prior to their appointment to the Board. These were matched 50% in cash under the transitional arrangements, paid March 2001, and 50% in shares that will be realised in March 2004.

Prior to the current arrangements, senior corporate centre managers participated in the VEP, whilst senior managers at operating company level participated in the Kingfisher Incentive Growth Plan (IGP). The IGP rewarded growth in value as measured by economic profit (operating profit less tax less a capital charge), with payments deferred for three years then paid in three cash instalments. The only potential payments to executive directors under the IGP are to William Whiting and Helen Weir, which were allocated before their appointments to the Board.

The table below summarises the payments made in March 2001 and those outstanding for executive directors under the various long-term incentive plans. All payments outstanding to Roger Holmes and Philip Rowley lapsed on leaving the Group. None of these payments are pensionable.

Plan	Paid in March 2001	Payable in future
Sir Geoffrey Mulcahy		
VEP 1996/99	**21,332 shares**	
VEP 1997/00	**35,581 shares**	35,581 shares in March 2002
VEP 1998/01	**£180,217**	78,784 shares over two years to March 2003
Jean-Noel Labroue		
KIP 2000/01	**FF309,375**	FF618,750 plus shares worth FF309,375 in March 2004
Philip Rowley		
VEP 1998/01	**£53,778**	
Helen Weir		
KIP 2000/01	**£42,750**	£85,500 plus shares worth £42,750 in March 2004
IGP	**£62,500**	225% of salary over four years to March 2005
William Whiting		
KIP 2000/01	**£58,500**	£117,000 plus shares worth £58,500 in March 2004
IGP	**£174,000**	258% of salary over four years to March 2005

Pensions

UK Executive Directors who joined the Company before 1994 are members of funded pension arrangements providing a pension on retirement at age 60 of up to two thirds of base salary only (except for the Chief Executive, where the pension is based on 107% of base salary), subject to a minimum of 20 years service within the Group. In the event of death during employment, dependants receive a pension and a lump sum.

Ian Cheshire, Roger Holmes, Philip Rowley and Helen Weir joined the Company after 1994 and are members of the main funded pension arrangement available to all UK employees, providing a pension on retirement at age 60 of 1/60th of base salary (limited to the Earnings Cap – currently £91,800) for each year of service, together with life assurance and dependants' benefits payable on the member's death. A salary supplement is paid in addition on salary in excess of the Earnings Cap (10% for Ian Cheshire, 9% for Roger Holmes, 17% for Philip Rowley and 6% for Helen Weir) which depends on age at joining. There are no Company arrangements for Anthony Percival.

The table below, as at the financial year end, shows the accrued pension should the director leave employment, the increase in the accrued pension during the year excluding "inflation" and the value of the increase in accrued pension assessed on the transfer value basis under the Kingfisher Pension Scheme.

	Age	Years of service	Increase in accrued pension £'000	Accrued pension **2001 £'000**	Accrued pension 2000 £'000	Pension cost **2001 £'000**	Pension cost 2000 £'000
Sir Geoffrey Mulcahy	59	18	102	**660**	548	**1,856**	1,677
Ian Cheshire[1]	41	2	1	**4**	–	**5**	–
Roger Holmes[2]	41	7	1	**10**	9	**8**	9
Philip Rowley[3]	48	3	2	**4**	2	**15**	14
William Whiting[1]	53	18	21	**147**	–	**370**	–
Helen Weir[1]	38	5	1	**8**	–	**8**	–

1 Ian Cheshire, William Whiting and Helen Weir were appointed to the Board on 2 June 2000, 31 October 2000 and 6 October 2000 respectively. The figures for the increase in accrued pension and pension cost relate to the benefits accrued since appointment.
2 Roger Holmes left the Board on 31 October 2000 and left the Company on 14 December 2000.
3 Philip Rowley left the Board on 31 March 2001 when he resigned from the Company.

Selected senior executives in France including Philippe Francès, Jean-Noel Labroue and Jean-Hugues Loyez, are members of defined benefits arrangements providing a target pension on retirement of between 53% and 60% of remuneration (less existing compulsory and statutory provision). The costs of the benefits will be funded over the period to retirement but on termination of employment before retirement the benefit normally lapses. As there is no accrued benefit until retirement it is inappropriate to show details.

Philippe Francès retired from the Board on 6 October 2000 aged 60. Although the target pension of 53% of remuneration (less existing compulsory and statutory provisions) was due to be paid on retirement at age 63, the Committee agreed to pay the target pension of FF1,869,840 immediately. This pension will be paid directly by the Company until the French State pension figures are finalised, whereupon it will be paid by the Company pension scheme in France.

Service contracts

UK Executive Directors, other than Anthony Percival, have service contracts which are terminable by the Company with between 18 and 24 months' notice. In the event of early termination, provision is made for payment of between 14 and 18 months' liquidated damages if the director has not reached the age of 50, or between 16 and 21 months' liquidated damages if the director is 50 or over. A similar liquidated damages payment would be made if the director left within three months of a change of control of the Company.

Philip Rowley left the Group on 31 March 2001 with a termination package, calculated in accordance with his contract, of 18 months' salary plus the use of his car for up to one year.

Anthony Percival's service contract was for an initial two-year period, which was extended until 31 October 1998 and further extended on a part-time basis until 30 April 2001.

The notice period in the service contract for Jean-Noel Labroue is six months from the Company, but includes termination provisions in accordance with French law which could require payment of up to 12 months' remuneration if all provisions have been met.

Jean-Hugues Loyez has a verbal contract with Castorama Dubois Investissements S.C.A. which does not specify termination provisions. Under French law, he is entitled to three months' notice from the Company and payment of up to 12 months' remuneration.

Non-executive directors

Non-executive directors' remuneration consists of an annual salary for their services as members of the Board and of selected Committees. They do not have service contracts, but instead have letters of engagement. The Chairman's letter of engagement allows for one year's notice from either party up to age 65 when the appointment ends without the need for notice. The other non-executive directors' letters of engagement are for a three-year period, which the Company may terminate at any time without compensation. Since 1 February 1999, Michael Hepher's services to the Board have been provided by Maple Leaf Global Limited under a consultancy agreement. This agreement may be terminated at any time without notice or compensation.

Non-executive directors' remuneration is determined by the Board.

Directors' remuneration

£000	Salary	Benefits (Note 1)	Annual bonus	Total remuneration 2001	Total remuneration 2000	Long-term incentive 2001	Long-term incentive 2000
Executive							
Sir Geoffrey Mulcahy	967	47	–	**1,014**	1,308	**441**	304
Ian Cheshire[2]	166	26	93	**285**	–	–	–
Philippe Francès[3,4]	276	15	–	**291**	527	–	–
Roger Holmes[4]	328	99	–	**427**	581	–	101
Jean-Noel Labroue[2,3,5]	89	4	58	**151**	–	–	–
Jean-Hugues Loyez[3,6]	186	2	170	**358**	474	–	–
Anthony Percival[7]	98	26	–	**124**	149	–	870
Philip Rowley[8]	346	80	–	**426**	546	**54**	–
Helen Weir[2]	79	16	43	**138**	–	**63**	–
William Whiting[2]	76	3	59	**138**	–	**174**	–
Total	2,611	318	423	**3,352**	3,585	**732**	1,275

Non-executive	Salary	Total remuneration 2001	Total remuneration 2000
Sir John Banham (Chairman)[9]	200	**200**	200
John Bullock[10]	35	**35**	32
Peter Hardy	32	**32**	32
Michael Hepher	32	**32**	32
The Lady Howe[4]	19	**19**	32
Margaret Salmon[11]	32	**32**	32
Bernard Thiolon[10]	35	**35**	32
Total	385	**385**	392

Notes

1 Benefits incorporate all taxable benefits arising from employment which relate mainly to the provision of a company car and salary supplements where pensionable salary is limited by the Earnings Cap, but also include the cost of medical insurance and, for the Chief Executive, personal tax advice.
2 The 2001 remuneration covers the period since appointment, being 2 June 2000 for Ian Cheshire, 6 October 2000 for Helen Weir and Jean-Noel Labroue and 31 October 2000 for William Whiting.
3 Converted to sterling at an exchange rate of FF10.753 (2000: FF10.083).
4 The 2001 remuneration covers the period to resignation or retirement from the Board, being 2 June 2000 for The Lady Howe, 6 October 2000 for Roger Holmes and 31 October 2000 for Philippe Francès.
5 The salary for Jean-Noel Labroue includes a travel allowance.
6 The annual bonus for Jean-Hugues Loyez includes all his profit sharing arrangements in respect of Castorama Dubois Investissements S.C.A.
7 The 2000 long-term incentive for Anthony Percival relates to the exercise on 29 April 1999 of 126,666 phantom options at 291.5p per share when the market price was 912.0p per share.
8 Philip Rowley left the Company on 31 March 2001.
9 The Company also pays £25,000 per annum for office accommodation and services provided by Sir John Banham through Westcountry Management.
10 The salaries for John Bullock and Bernard Thiolon include the fees payable for their membership of the conseil de surveillance of Castorama Dubois Investissements S.C.A.
11 Margaret Salmon's salary is paid to her current employer.

Directors' share interests

Executive share options	At start of year[4]	Granted during year	Exercised during year	Lapsed during year	At end of year	Option price (pence)	Date from which exercisable	Expiry date
	Number of options							
Ian Cheshire[1]	34,351	–	–	–	34,351	524.0	26/10/01	26/10/08
	23,047	–	–	–	23,047	781.0	01/04/02	01/04/09
	56,142	–	–	–	56,142	521.0	17/04/03	17/04/10
	–	52,854	–	–	52,854	473.0	25/09/03	25/09/10
	113,540	**52,854**	**–**	**–**	**166,394**			
Jean-Noel Labroue[2]	71,302	–	–	–	71,302	238.0	15/11/99	15/11/04
	138,082	–	–	–	138,082	250.0	30/10/00	30/10/05
	104,420	–	–	–	104,420	320.0	25/10/01	25/10/06
	82,504	–	–	–	82,504	405.0	23/10/02	23/10/07
	23,677	–	–	–	23,677	524.0	26/10/03	26/10/08
	46,223	–	–	–	46,223	639.0	27/09/04	27/09/09
	59,447	–	–	–	59,447	521.0	17/04/05	17/04/10
	35,980	–	–	–	35,980	473.0	25/09/05	25/09/10
	561,635	**–**	**–**	**–**	**561,635**			
Sir Geoffrey Mulcahy	29,316	–	–	–	29,316	220.0	23/04/94	23/04/01
	701,314	–	–	–	701,314	263.3	24/10/94	24/10/01
	444,748	–	–	–	444,748	229.3	15/10/95	15/10/02
	40,030	–	–	–	40,030	280.0	26/04/96	26/04/03
	252,292	–	–	–	252,292	288.5	29/04/97	29/04/04
	22,164	–	–	–	22,164	405.0	23/10/00	23/10/07
	287,534	–	–	–	287,534	549.5	27/04/01	27/04/08
	297,339	–	–	–	297,339	639.0	27/09/02	27/09/09
	2,074,737	**–**	**–**	**–**	**2,074,737**			
Philip Rowley[5]	118,320	–	–	–	118,320	524.0	01/04/01	26/04/02
	77,066	–	–	–	77,066	804.5	01/04/01	26/11/02
	–	130,518	–	–	130,518	521.0	01/04/01	17/10/03
	–	74,418	–	–	74,418	473.0	01/04/01	25/03/04
	195,386	**204,936**	**–**	**–**	**400,322**			
Helen Weir[2]	24,784	–	–	–	24,784	291.5	01/05/99	01/05/06
	23,546	–	–	–	23,546	328.5	16/04/00	16/04/07
	7,160	–	–	–	7,160	405.0	23/10/00	23/10/07
	18,562	–	–	–	18,562	549.5	27/04/01	27/04/08
	13,985	–	–	–	13,985	781.0	01/04/02	01/04/09
	42,826	–	–	–	42,826	521.0	17/04/03	17/04/10
	52,854	–	–	–	52,854	473.0	25/09/03	25/09/10
	183,717	**–**	**–**	**–**	**183,717**			
William Whiting[3]	54,184	–	–	–	54,184	328.5	16/04/00	16/04/07
	29,390	–	–	–	29,390	549.5	27/04/01	27/04/08
	22,855	–	–	–	22,855	781.0	01/04/02	01/04/09
	79,462	–	–	–	79,462	521.0	17/04/03	17/04/10
	32,980	–	–	–	32,980	473.0	25/09/03	25/09/10
	218,871	**–**	**–**	**–**	**218,871**			

Directors' share interests continued

Executive share options	Number of options: At start of year[4]	Granted during year	Exercised during year	Lapsed during year	At end of year	Option price (pence)	Date from which exercisable	Expiry date
Philippe Francès	169,640	–	–	–	169,640	238.0	15/11/99	15/11/04
	276,164	–	–	–	276,164	250.0	30/10/00	30/10/05
	276,862	–	–	–	276,862	320.0	25/10/01	25/10/06
	147,132	–	–	–	147,132	405.0	23/10/02	23/10/07
	102,491	–	–	–	102,491	639.0	27/09/04	27/09/09
	972,289	**–**	**–**	**–**	**972,289**			
Roger Holmes	46,218	–	46,218[6]	–	–	238.0	15/11/97	15/11/04
	26,666	–	26,666[6]	–	–	225.0	28/04/98	28/04/05
	59,690	–	59,690[7]	–	–	291.5	01/05/99	01/05/06
	47,792	–	47,792[7]	–	–	328.5	16/04/00	16/04/07
	100,090	–	–	100,090	–	549.5	27/04/01	27/04/08
	77,066	–	–	77,066	–	804.5	26/05/02	26/05/09
	10,954	–	–	10,954	–	639.0	27/09/02	27/09/09
	–	143,953	–	143,953	–	521.0	17/04/03	17/04/10
	368,476	**143,953**	**180,366**	**332,063**	**–**			

Notes
1 From date of appointment on 2 June 2000.
2 From date of appointment on 6 October 2000.
3 From date of appointment on 31 October 2000.
4 Or at date of appointment.
5 Options became exercisable upon Philip Rowley leaving the Company on 31 March 2001.
6 Exercised on 13 December 2000 when the market price was 444.00p.
7 Exercised on 14 December 2000 when the market price was 463.00p.

The market price of the shares on 3 February 2001 was 480.00p and the range during the year was 353.75p to 630.00p.

Although not a participant under the share option arrangement, Anthony Percival has a long-term bonus arrangement based on the increase in the Kingfisher share price.

	Number of options over notional shares: At start of year	Granted during year	Exercised during year	Lapsed during year	At end of year	Share price (pence)	Date vests	Date lapses
	205,830	**–**	**–**	**–**	**205,830**	291.5	31/05/98	30/04/02

Directors' share interests continued

ShareSave	At start of year[5]	Granted during year	Exercised during year	Lapsed during year	At end of year	Option price (pence)	Date from which exercisable	Expiry date
	Number of options							
Ian Cheshire[1]	1,914	–	–	1,914	–	506.0	01/12/02	31/05/03
	–	2,654	–	–	2,654	365.0	01/12/03	31/05/04
	1,914	**2,654**	**–**	**1,914**	**2,654**			
Jean-Noel Labroue[2]	2,538	–	–	2,538	–	591.0	01/12/04	31/05/05
	–	3,875	–	–	3,875	387.0	01/12/05	31/05/06
	2,538	**3,875**	**–**	**2,538**	**3,875**			
Sir Geoffrey Mulcahy	1,868	–	1,868[3]	–	–	184.5	01/08/00	31/01/01
	3,390	–	–	–	3,390	264.5	01/08/02	31/01/03
	5,258	**–**	**1,868**	**–**	**3,390**			
Philip Rowley[6]	**2,393**	**–**	**–**	**–**	**2,393**	705.0	01/04/01	30/09/01
Helen Weir[2]	**2,226**	**–**	**–**	**–**	**2,226**	438.0	01/08/01	31/01/02
William Whiting[4]	1,476	–	–	–	1,476	233.5	01/08/01	31/01/02
	549	–	–	–	549	705.0	01/08/02	31/01/03
	1,061	–	–	–	1,061	365.0	01/12/03	31/05/04
	3,086	**–**	**–**	**–**	**3,086**			
Roger Holmes	**9,348**	**–**	**9,348**	**–**	**–**	184.5	01/08/00	31/01/01

Notes
1 From date of appointment on 2 June 2000.
2 From date of appointment on 6 October 2000.
3 Exercised on 8 August 2000 when the market price was 529.00p.
4 From date of appointment on 31 October 2000.
5 Or at date of appointment.
6 Options become exercisable upon Philip Rowley leaving the Company on 31 March 2001.

Directors' interests in shares

The directors who held office at 3 February 2001 had the following interests in the shares of the Company:

	Ordinary shares 2001	Ordinary shares 2000
Sir John Banham	**22,926**	5,276
John Bullock	**11,635**	11,311
Ian Cheshire[1]	**–**	–
Peter Hardy	**60,000**	60,000
Michael Hepher	**1,006**	1,006
Jean-Noel Labroue[2]	**740,000**	740,000
Jean-Hugues Loyez	**–**	–
Sir Geoffrey Mulcahy	**399,646**	365,752
Anthony Percival	**11,260**	11,020
Philip Rowley	**25,000**	25,000
Margaret Salmon	**2,400**	2,400
Bernard Thiolon	**16,072**	16,072
Helen Weir[2]	**–**	–
William Whiting[3]	**3,738**	–

Notes
1 From date of appointment on 2 June 2000.
2 From date of appointment on 6 October 2000.
3 From date of appointment on 31 October 2000.

On 14 March 2001, Sir Geoffrey Mulcahy received 56,913 shares that had vested in accordance with the Company's Value Enhancement Plan.

On 3 February 2001, Jean-Hugues Loyez held a beneficial interest in 229,282 shares in the capital of Castorama Dubois Investissements S.C.A., ("CDI"), each of which have a nominal value of FF25. As a Commandité, he also held 13,105 special shares which, under the Articles of CDI, entitle him to 157,260 shares on transformation of CDI to a Société Anonyme. On 6 December 2000, Jean-Hugues Loyez sold 4,000 CDI shares at a price of euro 260.5 each.

Annual general meeting

The annual general meeting will be held at The Dorchester, Park Lane, London W1 (Ballroom Entrance) on Wednesday 23 May 2001 at 11.00 am. The notice of the annual general meeting and explanatory notes on each of the resolutions are set out in a separate circular that has been sent to all shareholders with the Annual Report and Accounts. In addition to the routine business of the annual general meeting, resolutions will be proposed for the approval of a new all employee share plan; renewal of the authority to make market purchases of the Company's shares, and the adoption of new articles of association.

Employee involvement

The Board continues to place emphasis on high standards of customer care and service by each operating company. The commitment of every employee to this business requirement is considered to be critical. Accordingly, operating companies have continued to develop their arrangements for employee information, consultation, communication and involvement, including attitude surveys, briefing groups, internal magazines and newsletters on matters relating to the business performance and objectives, community involvement and other issues.

Training and links with the educational sector reinforce our commitment to employee involvement and development. Employees are represented on the trustee board of the Group's pension arrangements.

The Group has a long-established Employee Savings-Related Share Option Scheme in which all of the Group's UK employees are entitled to participate on an annual basis, regardless of number of hours worked, provided they meet certain service conditions. In addition, an International Savings-Related Share Option Scheme operates along similar lines to that offered in the UK, but taking account, where necessary, of different tax and legal requirements.

Equal opportunities

The Group is committed to the principle of equal opportunity in employment and to ensuring that no applicant or employee receives less favourable treatment on the grounds of gender, marital status, race, colour, nationality, ethnic or national origin, religion, HIV status, disability, sexuality, or unrelated criminal convictions and without arbitrary restrictions in respect of age, or is disadvantaged by conditions or requirements which cannot be shown to be justified.

The Group applies employment policies which are fair and equitable and which ensure entry into, and progression within the Group, is determined solely by application of job criteria and personal ability and competency.

The Company is a founder member of the Business in the Community Opportunity Now campaign designed to increase the opportunities available for women in the workplace. Progress has been made in a number of areas, such as training, parental leave provisions and the employment of mature workers. The Group will continue to build upon and introduce initiatives in this area.

The Group gives full and fair consideration to the possibility of employing disabled persons wherever suitable opportunities exist. Employees who become disabled are given every opportunity and assistance to continue in their employment or to be trained for other suitable positions.

Community affairs and environmental issues

The Company and its subsidiaries contribute to a number of community projects, either in cash, in kind or by donation of human resources. The value of this year's contributions is estimated at £2.0 million (2000: £1.2 million). This includes payments specifically for charitable purposes of £1.0 million (2000: £0.8 million). Additionally, a wide range of charitable fund-raising activities were undertaken by employees.

The Group continues to identify the key environmental impacts of the operational element of the businesses and its products. Progress has been made to reduce that impact and the Group is committed to making further improvements. Further details are given on pages 21 and 22.

Supplier payment policy
The Company does not impose standard payment terms on its suppliers but agrees specific terms with each. It is the Company's policy to pay its suppliers in accordance with the terms which have been agreed. The Company is a holding company and therefore has no trade creditors.

Political contributions
This year the Company has made no political contributions (2000: £nil).

Major shareholders
As at 5 April 2001, the Company has been notified of the following interests, in 3% or more of the Company's shares:

	Number of ordinary shares	%
Barclays Bank plc	42,014,132	3.00
CGNU plc and certain of its subsidiaries	49,521,170	3.55
M&G Investment Management Ltd	52,108,750	3.73

Auditors
PricewaterhouseCoopers have indicated their willingness to accept reappointment as auditors of the Company for a further term and a resolution proposing their reappointment will be put to the shareholders at the annual general meeting.

By Order of the Board
Helen Jones *Secretary*
13 March 2001
6 April 2001

Consolidated profit and loss account

For the financial year ended 3 February 2001

£ millions	Notes	2001	As restated 2000
Turnover including share of joint ventures		**12,219.9**	10,933.1
Less: share of joint ventures' turnover		**(85.7)**	(48.1)
Group turnover	5(a)	**12,134.2**	10,885.0
Group operating profit	2	**704.5**	746.1
Share of operating profit/(loss) in			
Joint ventures		**5.7**	3.2
Associates		**(39.9)**	(5.2)
Total operating profit including share of joint ventures and associates		**670.3**	744.1
Analysed as			
Home Improvement		**398.5**	365.8
Electrical and Furniture		**184.0**	194.3
General Merchandise		**140.7**	183.9
Property		**85.9**	76.0
e-commerce and other new channels		**(81.9)**	(24.0)
Exceptional items – operating	3	**5.8**	(3.5)
Other operating costs		**(44.8)**	(37.9)
Acquisition goodwill amortisation		**(17.9)**	(10.5)
Total operating profit including share of joint ventures and associates		**670.3**	744.1
Exceptional items – non-operating			
Gain on deemed disposal of Liberty Surf Group S.A.	4	**120.8**	–
Loss on the sale of operations and group restructuring	4	**(23.5)**	–
Profit on the disposal of properties	4	**0.2**	6.2
Profit on ordinary activities before interest	5(b)	**767.8**	750.3
Net interest payable	6	**(76.6)**	(37.5)
Profit on ordinary activities before taxation	7	**691.2**	712.8
Tax on profit on ordinary activities	10	**(170.8)**	(204.4)
Profit on ordinary activities after taxation		**520.4**	508.4
Equity minority interests		**(104.9)**	(99.4)
Profit for the financial year attributable to the members of Kingfisher plc		**415.5**	409.0
Dividends on equity shares	11	**(214.8)**	(198.2)
Retained profit for the financial year	31	**200.7**	210.8
Earnings per share (pence)			
Basic	12	**30.3**	30.1
Diluted	12	**29.6**	28.9
Basic – adjusted*	12	**27.4**	31.3
Diluted – adjusted*	12	**26.8**	30.0

*Adjusted earnings per share is before exceptional items, acquisition goodwill amortisation and estimated LibertySurf losses.

Consolidated statement of total recognised gains and losses

For the financial year ended 3 February 2001

£ millions	**2001**	As restated 2000
Profit for the financial year	**415.5**	409.0
Unrealised surplus on revaluation of properties (see note 14)	**53.9**	142.0
Non-distributable reserve arising on the combination of B&Q and Castorama	**–**	1.9
Minority increase in Castorama	**(0.9)**	21.2
Net foreign exchange adjustments offset in reserves	**7.9**	(46.4)
Tax effect of exchange adjustments offset in reserves	**2.9**	(6.8)
Total recognised gains and losses relating to the year	**479.3**	520.9
Prior year adjustment (as explained in note 1)	**(19.1)**	–
Total gains and losses recognised since last annual report	**460.2**	520.9

Note of Group historical cost profits

For the financial year ended 3 February 2001

£ millions	**2001**	As restated 2000
Reported profit on ordinary activities before taxation	**691.2**	712.8
Prior year property revaluation surplus now realised (see note 31)	**14.2**	3.0
Difference between historical cost depreciation charge and the actual charge for the year based on the revalued amount	**14.1**	1.4
Historical cost profit on ordinary activities before tax	**719.5**	717.2
Historical cost profit for the year retained after taxation, minority interests and dividends	**229.0**	215.2

Balance sheets

As at 3 February 2001

		Group				Company	
£ millions	Notes	**2001**	**2001**	As restated 2000	As restated 2000	**2001**	2000
Fixed assets							
Goodwill	13		**490.6**		397.4	**–**	–
Other intangible assets	13		**18.3**		3.5	**–**	–
Total intangible assets			**508.9**		400.9	**–**	–
Tangible assets	14		**4,139.6**		3,432.5	**6.7**	4.6
Investments in joint ventures							
– Share of gross assets		**142.3**		109.0			
– Share of gross liabilities	15	**(107.1)**	**35.2**	(93.1)	15.9	**–**	–
Investments in associates	15		**123.4**		39.2	**–**	–
Other investments	15		**135.9**		40.3	**1,686.6**	1,554.7
Total investments			**294.5**		95.4	**1,686.6**	1,554.7
			4,943.0		3,928.8	**1,693.3**	1,559.3
Current assets							
Development work in progress	16		**89.2**		96.7	**–**	–
Stocks	16		**2,095.5**		1,669.4	**–**	–
Debtors due within one year	17		**973.5**		662.2	**5,922.3**	5,345.1
Debtors due after more than one year	17		**22.2**		146.8	**–**	–
Securitised consumer receivables	18	**261.1**		303.8			
Less: non-recourse secured notes		**(211.8)**	**49.3**	(234.5)	69.3	**–**	–
Investments	19		**168.6**		352.3	**–**	–
Cash at bank and in hand			**120.1**		156.6	**1.3**	–
			3,518.4		3,153.3	**5,923.6**	5,345.1
Creditors							
Amounts falling due within one year	20		**(4,003.9)**		(3,377.1)	**(4,930.6)**	(4,378.3)
Net current (liabilities)/assets			**(485.5)**		(223.8)	**993.0**	966.8
Total assets less current liabilities			**4,457.5**		3,705.0	**2,686.3**	2,526.1
Creditors							
Amounts falling due after more than one year	21		**(881.1)**		(626.0)	**(627.0)**	(399.1)
Provisions for liabilities and charges	29		**(19.7)**		(18.6)	**–**	–
	5(c)		**3,556.7**		3,060.4	**2,059.3**	2,127.0
Capital and reserves							
Called up share capital	30		**174.6**		171.0	**174.6**	171.0
Share premium account	31		**345.9**		255.2	**345.9**	255.2
Revaluation reserve	31		**574.1**		534.4	**–**	–
Non-distributable reserves	31		**148.2**		148.2	**936.0**	936.0
Profit and loss account	31		**1,740.3**		1,500.7	**602.8**	764.8
Equity shareholders' funds	32		**2,983.1**		2,609.5	**2,059.3**	2,127.0
Equity minority interests			**573.6**		450.9	**–**	–
			3,556.7		3,060.4	**2,059.3**	2,127.0

The accounts were approved by the Board of directors on 13 March 2001 and signed on its behalf by:

Sir Geoffrey Mulcahy *Director*

Helen Weir *Director*

Consolidated cash flow statement

For the financial year ended 3 February 2001

£ millions	Notes	2001	2001	As restated 2000	As restated 2000
Net cash inflow from operating activities	33 (a)		**563.2**		863.8
Returns on investment and servicing of finance					
Interest received		**26.8**		31.5	
Interest paid		**(112.0)**		(68.2)	
Interest element of finance lease rental payments		**(1.2)**		(4.0)	
Dividends paid by subsidiaries to minorities		**(27.9)**		(20.2)	
Net cash outflow from returns on investment and servicing of finance			**(114.3)**		(60.9)
Taxation					
UK Corporation tax paid		**(109.9)**		(127.8)	
Overseas tax paid		**(51.5)**		(73.0)	
Tax paid			**(161.4)**		(200.8)
Capital expenditure and financial investment					
Payments to acquire intangible fixed assets		**(22.5)**		(5.6)	
Payments to acquire tangible fixed assets		**(857.2)**		(659.2)	
Receipts from the sale of tangible fixed assets		**47.5**		74.9	
Purchase of own shares		**(64.4)**		–	
Payments for additions to investments		**(31.2)**		(14.2)	
Receipts from sale of investments		**–**		3.4	
Net cash outflow from capital expenditure and financial investment			**(927.8)**		(600.7)
Acquisitions and disposals					
Purchase of subsidiary and business undertakings		**(117.3)**		(187.5)	
Net cash acquired with subsidiary undertakings		**–**		4.8	
Disposal of subsidiary undertakings		**5.9**		–	
Net cash outflow in relation to the divestment of General Merchandise		**(3.2)**		–	
Payments for additions to joint ventures/associated undertakings		**(15.7)**		(39.4)	
Issue of shares by group companies to minority shareholders		**29.1**		58.7	
Net cash outflow from acquisitions and disposals			**(101.2)**		(163.4)
Equity dividends paid to shareholders			**(146.6)**		(146.4)
Net cash outflow before use of liquid resources and financing			**(888.1)**		(308.4)
Management of liquid resources					
Net movement in short-term deposits		**4.2**		120.2	
Net sale/(purchase) of short-term investments		**183.7**		(39.9)	
Net cash inflow from management of liquid resources			**187.9**		80.3
Financing					
Issue of ordinary share capital		**53.2**		10.8	
Capital element of finance lease rental payments		**(2.4)**		(8.8)	
Net increase in loans		**630.5**		379.2	
Net cash inflow from financing			**681.3**		381.2
(Decrease)/increase in cash			**(18.9)**		153.1
Reconciliation of net cash flow to movement in net debt	33 (e)				
Net debt at start of year			**(1,020.8)**		(693.4)
(Decrease)/increase in cash			**(18.9)**		153.1
Debt in subsidiaries acquired			**(0.8)**		(44.5)
Net movement in short-term deposits			**(4.2)**		(120.2)
Net movement in debt and lease financing			**(630.5)**		(379.2)
Net movement in short-term investments			**(183.7)**		39.9
Change in market value of investments			**–**		0.7
Foreign exchange effects			**(14.9)**		22.8
Net debt at end of year			**(1,873.8)**		(1,020.8)

1 Accounting policies

Accounting conventions

The financial statements of the Company and its subsidiaries are made up to the nearest Saturday to 31 January each year. The financial statements of the Company and its subsidiaries are prepared under the historical cost convention, except for certain land and buildings that are included in the financial statements at valuation, and are prepared in accordance with applicable accounting standards in the United Kingdom. However, compliance with SSAP19 "Accounting for Investment Properties" relating to depreciation on investment properties and FRS 10 "Goodwill and Intangible Assets" relating to the capitalisation and amortisation of goodwill both require a departure from the requirements of the Companies Act 1985 as explained below. Accounting policies have been consistently applied with the exception of changes caused by the implementation of FRS 15 "Tangible Fixed Assets" as described below.

Basis for consolidation

The consolidated financial statements incorporate the financial statements of the Company, its subsidiary undertakings, joint ventures and associated undertakings. Subsidiary undertakings acquired during the year are recorded under the acquisition method and their results are included from the date of acquisition.

Associated undertakings are accounted for using the equity method and joint ventures are accounted for using the gross equity method. Kingfisher plc has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at contracted rates or, where no contract exists, at average monthly rates.

Monetary assets and liabilities denominated in foreign currencies which are held at the year end are translated into sterling at year end exchange rates. Exchange differences on monetary items are taken to the profit and loss account.

The balance sheets of overseas subsidiary undertakings are expressed in sterling at year end exchange rates. Profits and losses of overseas subsidiary undertakings are expressed in sterling at average exchange rates for the year. Exchange differences arising on the translation of opening shareholders' funds are recorded as a movement on reserves.

The Group's share of net assets or liabilities of associated undertakings and joint ventures are expressed in sterling at year end exchange rates. The share of profits or losses for the year are expressed in sterling at average exchange rates for the year. Exchange differences arising on the translation of opening net equity are recorded as a movement on reserves.

Exchange differences arising on borrowings used to finance, or provide a hedge against, Group equity investments in foreign subsidiaries are recorded as movements on reserves.

Principal rates of exchange

French Franc	**2001**	2000
Year end rate	**10.322**	10.841
Average rate (weighted in proportion to the turnover of the French subsidiaries)	**10.753**	10.083

German Deutschmark	**2001**	2000
Year end rate	**3.127**	3.145
Average rate (weighted in proportion to the turnover of the German subsidiaries)	**3.238**	2.990

The German Deutschmark rates are stated for 31 December reflecting the German subsidiaries' accounting reference date.

1 **Accounting policies** continued

Goodwill and intangible assets

Intangible assets, which comprise goodwill arising on acquisitions and acquired licences and copyrights, are stated at cost less amortisation.

Goodwill arising on all acquisitions prior to 31 January 1998 remains eliminated against reserves. This goodwill will be charged in the profit and loss account on subsequent disposal of the business to which it relates. Purchased goodwill arising on acquisitions after 31 January 1998 is treated as an asset on the balance sheet. Where goodwill is regarded as having a limited estimated useful economic life it is amortised on a systematic basis over its life. Where goodwill is regarded as having an indefinite life it is not amortised. The estimated useful economic life is regarded as indefinite where goodwill is capable of continued measurement and the durability of the acquired business can be demonstrated. Where goodwill is not amortised an annual impairment review is performed and any impairment will be charged to the profit and loss account.

In estimating the useful economic life of goodwill arising, account has been taken of the nature of the business acquired, the stability of the industry, the extent of continuing barriers to market entry and expected future impact of competition. With the exception of BUT S.A. all acquisitions since 31 January 1998 are considered by the directors to have an estimated useful economic life of 20 years.

Goodwill arising on the acquisition of shares in BUT S.A. is £135.4 million. The directors consider that BUT S.A. has a proven ability to maintain its market leadership over a long period and will adapt successfully to any foreseeable technological or customer-led changes and that barriers to entry into its market place exist, such that the business will prove to be durable. BUT S.A.'s record since 1972, when it commenced trading, has been one of consistent growth in both turnover and operating profits. Accordingly, the goodwill is not amortised and, in order to give a true and fair view, the financial statements depart from the requirement of amortising goodwill over a finite period, as required by the Companies Act. Instead an annual impairment test is undertaken and any impairment that is identified will be charged to the profit and loss account. It is not possible to quantify the effect of the departure from the Companies Act, because no finite life for goodwill can be identified.

Goodwill arising on purchase of pharmacy businesses is amortised over a useful economic life of 20 years. Acquired licences and copyrights are amortised over the period of the underlying legal agreement, which do not exceed 20 years.

Depreciation

Depreciation of tangible fixed assets is provided where it is necessary to reflect a reduction from book value to estimated residual value over the estimated useful life of the asset to the Group.

Depreciation of tangible fixed assets is calculated by the straight line method and the annual rates applicable to the principal categories are:

Freeholds	– 2%
Long leaseholds	– 5%
Short leaseholds	– over remaining period of the lease
Tenants' improvements	– over estimated useful life
Tenants' fixtures	– between 10% and 15%
Computers and electronic equipment	– between 25% and 50%
Motor cars	– 25%
Commercial vehicles	– 33$^1/_3$%

Impairment of fixed assets and goodwill

The need for any fixed asset or goodwill impairment write-down is assessed by comparison of the carrying value of the asset against the higher of net realisable value or value in use. The value in use is determined from estimated discounted future cash flows. Discount rates used are based on the circumstances of the individual businesses.

Disposal of land and buildings

Profits and losses on disposal of land and buildings represent the difference between the net proceeds and the net carrying value at the date of sale. Sales are accounted for when there is an unconditional exchange of contracts.

Leased assets

All operating lease payments are charged to the profit and loss account in the financial year to which the payments relate.

The cost of assets held under finance leases is included within tangible fixed assets and depreciation is provided in accordance with the policy for the class of asset concerned.The corresponding obligations under these leases are shown as creditors.The finance charge element of rentals is charged to the profit and loss account as incurred.

Properties

Group occupied properties are revalued annually and included in the balance sheet at existing use value.

Investment properties are revalued annually and included in the balance sheet at their open market value.

In accordance with SSAP19, no depreciation is provided in respect of investment properties.This represents a departure from the Companies Act 1985 requirements to provide for the systematic annual depreciation of fixed assets. However, these properties are held for investment and the directors consider that the adoption of the above policy is necessary in order to give a true and fair view. It is not possible to quantify the effect of the departure from the Companies Act, because no useful economic life is deemed appropriate.

Capitalisation of interest

Interest on borrowings to finance property development is capitalised. Interest is capitalised from the date work starts on the development to practical completion.

Interest on borrowings to finance the construction of properties held as tangible fixed assets is capitalised. Interest is capitalised from the date work starts on the property to the date when substantially all the activities that 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.

Property developments

Property developments are stated at the lower of cost and net realisable value. Development profits are taken when developments are sold. Sales are accounted for when there is an unconditional exchange of contracts or where the conditions of a sales contract are substantially satisfied.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes appropriate attributable overheads.

Rebates receivable from suppliers

Volume related rebates receivable from suppliers are credited to the carrying value of the stock to which they relate.Where a rebate agreement with a supplier covers more than one year the rebates are recognised in the accounts in the period in which they are earned.

Pensions

The Group operates defined benefit and defined contribution pension schemes for its UK employees. In each case a separate fund is being accumulated to meet the accruing liabilities.The assets of each of these funds are all held under trusts which are entirely separate from the Group's assets.

The cost of pensions in respect of the Group's defined benefit schemes is charged to the profit and loss account so that it is spread over the working lives of employees.Variations to pension costs caused by differences between the assumptions used and actual experience are spread over the average remaining working lives of the current employees at each actuarial valuation date.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is considered probable that the liability or asset will crystallise.

1 **Accounting policies** continued

Derivative financial instruments

Financial assets are recognised on the balance sheet at the lower of cost and net realisable value. Discounts and premia are charged or credited to the profit and loss account over the life of the asset or liability to which they relate.

Derivative financial instruments are accounted for using hedge accounting to the extent that they are held to hedge a financial asset or liability. Where such instruments do not hedge an underlying asset or liability, they are accounted for using fair value accounting.

When a financial instrument ceases to be a hedge, either as a result of the underlying asset or liability being extinguished, or because a future event is no longer likely to occur, the instrument will thereafter be marked to its fair value in the financial statements.

Income and expenditure arising on financial instruments held for hedging purposes is recognised on an accruals basis, and credited or charged to the profit and loss account in the financial period in which it arises.

Gains or losses on financial instruments accounted for on a fair value basis are reflected in the profit and loss account as they arise.

For the purposes of notes 22, 23 and 25 to 28, short-term debtors and creditors have been excluded. The narrative disclosures required by FRS13 are set out on pages 23 and 24 in the financial review.

ESOP

The Group's Employee Share Ownership Plan (ESOP) is a separately administered trust. Liabilities of the ESOP are guaranteed by the Company and the assets of the ESOP mainly comprise shares in the Company. In accordance with UITF 13, the assets, liabilities, income and costs of the ESOP have been included in the consolidated financial statements.

Changes in presentation of financial information

Financial Reporting Standard 15 – "Tangible Fixed Assets" has been adopted and consequently a charge for depreciation on buildings has been included for the first time. As required by the Standard, the provision for depreciation on buildings has been dealt with prospectively and there is no restatement of prior period figures. Under the new accounting policy for the depreciation of freehold and long leasehold buildings, depreciation is calculated on the straight line method and the annual rates are 2% and 5% respectively. The additional depreciation provided in the year ended 3 February 2001 was £17.8m.

Financial Reporting Standard 16 – "Current Tax" came into effect for these financial statements and has resulted in additional disclosure in relation to taxation, which is provided in note 10.

During the period, the Urgent Issues Task Force Abstract 24 – "Accounting for start-up costs" came into effect and required a review of the Group's policies in respect of pre-opening costs for new stores. As a result, certain costs previously depreciated over two years are now required to be expensed immediately. The cumulative effect of this change on reserves at 29 January 2000 is £19.1m and this change has been accounted for as a prior period adjustment (see notes 31 and 32). Previously reported figures have been restated accordingly. The impact of adopting the new policy on the year ended 29 January 2000 has been to reduce the previously reported profit before and after tax by £13.4m.

2 Operating profit

£ millions	2001	As restated 2000
Group turnover	**12,134.2**	10,885.0
Cost of sales	**(8,245.3)**	(7,248.5)
Gross profit	**3,888.9**	3,636.5
Selling expenses	**(2,627.8)**	(2,382.2)
Administrative expenses	**(634.8)**	(608.3)
Other income	**72.4**	103.6
Exceptional items – operating (administrative expenses)	**5.8**	(3.5)
Group operating profit	**704.5**	746.1

3 Exceptional items – operating

The exceptional operating income in the year ended 3 February 2001 represents a non-recurring reduction in local French business tax on the restructuring of Group companies.

The exceptional operating expense in the prior year represents the costs incurred on the attempted merger with ASDA Group plc.

4 Exceptional items – non operating

The exceptional non operating items in the year ended 3 February 2001 can be analysed as follows:

£ millions	2001	2000
Deemed disposal of Liberty Surf Group S.A.	**120.8**	–
Loss on the sale of operations and group restructuring		
Costs relating to divestment of General Merchandise	**(8.8)**	–
Disposal of Electric City	**(13.3)**	–
Disposal of Andre Deutsch	**(1.4)**	–
	(23.5)	–
Profit on the disposal of properties	**0.2**	6.2

The non operating profit in relation to Liberty Surf Group S.A. represents the gain arising on the deemed disposal in respect of shares issued by Liberty Surf Group S.A., on its listing on the Premier Market of the Paris Bourse on 16 March 2000. This deemed disposal does not give rise to a tax charge.

The tax effect of the exceptional items is disclosed in note 12.

5 Segmental analysis

Turnover

Turnover represents retail sales and services supplied, interest receivable and other income from the provision of credit facilities, rental income and turnover from property development activities. Turnover excludes transactions made between companies within the Group and value added tax.

The Group operations are divided between retail operations, including financial services relating to the provision of consumer credit to retail customers, and property transactions.

The analysis of turnover by destination is not materially different to the analysis of turnover by origin.

£ millions			**2001**	2000
(a) Turnover by origin				
Retail sales	UK	Group	**7,260.4**	6,359.9
		Joint ventures	**7.8**	5.2
	France	Group	**3,312.9**	3,206.8
		Joint ventures	**17.6**	15.4
	Germany	Group	**646.0**	582.3
	Rest of the world	Group	**799.8**	635.9
		Joint ventures	**60.3**	27.5
	UK	Retail financial services	**55.9**	67.6
			12,160.7	10,900.6
Property	UK	Rental income	**107.2**	95.2
		Property development sales	**30.2**	6.2
		Inter-segment rental income	**(78.2)**	(68.9)
			59.2	32.5
Total Group			**12,134.2**	10,885.0
Total joint ventures			**85.7**	48.1
			12,219.9	10,933.1

£ millions			**Operating 2001**	**Non-operating exceptionals 2001**	**2001**	As restated 2000
(b) Profit before interest and taxation						
Retail profit	UK		**384.6**	**(10.2)**	**374.4**	409.3
	France		**241.2**	**120.8**	**362.0**	277.5
	Germany		**(25.7)**	**–**	**(25.7)**	(7.5)
	Rest of the world		**24.0**	**(13.3)**	**10.7**	20.0
	UK	Retail financial services	**5.1**	**–**	**5.1**	6.7
			629.2	**97.3**	**726.5**	706.0
Property	UK	Property development profit/(loss)	**3.0**	**–**	**3.0**	(0.9)
		Property investment profit	**82.9**	**–**	**82.9**	76.9
			85.9	**–**	**85.9**	76.0
Total Group			**715.1**	**97.3**	**812.4**	782.0
Profit on disposal of properties			**–**	**0.2**	**0.2**	6.2
Profit before common costs			**715.1**	**97.5**	**812.6**	788.2
Common costs			**(44.8)**	**–**	**(44.8)**	(37.9)
Profit before interest			**670.3**	**97.5**	**767.8**	750.3

Common costs comprise the costs of combined Group operations, principally the head office operations of Kingfisher plc.

5 **Segmental analysis** continued

£ millions		2001	As restated 2000
(c) Net assets			
Retail	UK	**2,045.8**	1,274.6
	France	**1,138.2**	1,030.3
	Germany	**213.6**	96.5
	Rest of the world	**475.0**	229.0
Property	UK	**1,693.7**	1,545.6
Unallocated net liabilities		**(2,009.6)**	(1,115.6)
Total Group		**3,556.7**	3,060.4

Unallocated net liabilities comprise combined Group net debt and the net assets of Kingfisher plc.

6 Net interest payable

£ millions	2001	2001	2000	2000
Bank and other interest receivable	**(78.4)**		(99.9)	
Less amounts included in turnover of financial services	**51.6**	**(26.8)**	63.3	(36.6)
Bank and other interest payable				
Bank loans and overdrafts	**22.4**		29.3	
Other loans	**100.7**		59.8	
Finance lease charges	**4.4**		5.2	
	127.5		94.3	
Less amounts included in cost of sales of financial services	**(15.4)**	**112.1**	(17.8)	76.5
		85.3		39.9
Less interest capitalised		**(8.7)**		(2.4)
Net interest payable		**76.6**		37.5

Share of net interest payable by joint ventures included above is £0.1m (2000: £nil).

7 Profit on ordinary activities before taxation

£ millions	2001	2000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration for audit:		
To PricewaterhouseCoopers (Company £0.1m, 2000: £0.1m)	**1.6**	1.2
To other audit firms	**0.8**	1.1
Auditors' remuneration for non-audit services	**3.3**	3.2
Operating leases:		
Land and buildings	**380.5**	338.8
Plant and equipment	**42.3**	31.2
Depreciation of tangible fixed assets		
– owned assets	**208.1**	174.8
– under finance leases	**6.1**	5.2
Loss/(profit) on the disposal of fixed assets	**10.6**	(2.0)
Amortisation of acquisition goodwill	**17.9**	10.5
Amortisation of pharmacy goodwill	**0.9**	0.6
Amortisation of other intangible assets	**0.7**	0.1

Fees paid to PricewaterhouseCoopers for non-audit services were £8.3m (2000: £4.7m) of which £1.2m (2000: £1.7m) is acquisition-related work. £5.0m has been capitalised in the year, of which £4.7m related to costs incurred on the development of computer systems.

8 Employees

£ millions	2001	2000
Staff costs:		
Wages and salaries	**1,396.6**	1,228.9
Social security costs	**208.0**	210.2
Other pension costs	**46.1**	40.2
	1,650.7	1,479.3

Number		
Average number of persons employed:		
Stores	**120,577**	107,177
Distribution	**5,153**	4,262
Administration	**8,331**	6,977
	134,061	118,416
The equivalent number of employees working full time would have been	**95,210**	84,325

The average number of employees reflects the period for which acquired subsidiaries were members of the Group.

9 Directors' remuneration

£ thousands	2001	2000
Executive directors		
Salaries and taxable benefits	**2,929**	2,434
Bonuses	**423**	1,151
Long-term incentive	**732**	1,275
Non-executive directors – fees	**385**	422
	4,469	5,282

During the year the actual aggregate gains on share options at the date of exercise were £373,867 (2000: £879,116).

10 Taxation

£ millions	2001	2000
UK corporation tax		
Current tax on profits of the period	**101.4**	123.9
Adjustments in respect of prior periods	**(0.3)**	(3.4)
	101.1	120.5
Double tax relief	**(0.5)**	(3.2)
	100.6	117.3
Foreign tax		
Current tax on profits of the period	**68.9**	93.6
Adjustment in respect of prior periods	**(1.6)**	(7.7)
	67.3	85.9
Deferred tax	**0.8**	(0.3)
Associated undertakings	**0.7**	0.7
Joint ventures	**1.4**	0.8
	170.8	204.4

11 Dividends on equity shares

£ millions	2001	2000
Interim paid 4.25p (2000: 4.00p)	**59.2**	55.5
Final proposed 11.25p (2000: 10.50p)	**157.1**	143.7
Dividend payable to Employee Share Ownership Plan Trust (ESOP) shares	**(1.5)**	(1.0)
	214.8	198.2

As part of the final dividend for 2000 a scrip dividend alternative was offered at one share for every 53 ordinary shares and was elected for by holders of 517.6 million shares. For the 2001 interim dividend a scrip dividend alternative was offered to shareholders at one share for every 106 ordinary shares and was elected for by holders of 61.9 million shares.

12 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the ESOP (see note 36) which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's shares during the year.

Supplementary earnings per share figures are presented. These exclude the effects of operating and non operating exceptional items, acquisition goodwill amortisation and estimated LibertySurf losses in the year and are presented to allow comparison to prior year on a like for like basis.

Accordingly, the basic and diluted EPS exclude exceptional items and acquisition goodwill amortisation. Also excluded are the estimated LibertySurf losses as the directors do not believe it is meaningful to aggregate these with the profits from the continuing Group businesses. In the previously reported figures for the year ended 29 January 2000 the directors also excluded the costs of developing the e-commerce activities of our established businesses. These have no longer been excluded and the comparative adjusted basic and diluted EPS have been restated accordingly, the effect of which is to decrease these figures by 0.7p and 0.8p respectively. The comparative figure for diluted earnings per share has also been restated to adjust for the effect of interest, tax and minority interests on convertible bonds.

12 Earnings per share continued

	2001			As restated 2000		
	Earnings £ millions	Weighted average number of shares millions	Per share amount pence	Earnings £ millions	Weighted average number of shares millions	Per share amount pence
Basic earnings per share						
Earnings attributable to ordinary shareholders	**415.5**	**1,369.5**	**30.3**	409.0	1,357.1	30.1
Effect of dilutive securities						
Options		**13.8**	**(0.3)**		33.3	(0.7)
Convertible loan stock in subsidiary undertakings	**(6.0)**		**(0.4)**	(7.2)		(0.5)
Diluted earnings per share	**409.5**	**1,383.3**	**29.6**	401.8	1,390.4	28.9
Supplementary earnings per share						
Basic earnings per share	**415.5**	**1,369.5**	**30.3**	409.0	1,357.1	30.1
Effect of exceptionals						
Loss on sale of operations and group restructuring	**23.5**		**1.7**	–		–
Gain on deemed disposal of Liberty Surf Group S.A.	**(120.8)**		**(8.8)**	–		–
Operating exceptional	**(5.8)**		**(0.4)**	3.5		0.3
Profit on disposal of properties	**(0.2)**		**–**	(6.2)		(0.5)
Tax impact arising on exceptional items	**0.9**		**0.1**	–		–
Minority share of exceptional items	**1.6**		**0.1**	–		–
Basic earnings per share before exceptional items	**314.7**	**1,369.5**	**23.0**	406.3	1,357.1	29.9
Acquisition goodwill amortisation	**17.9**		**1.3**	10.5		0.8
Estimated Liberty Surf Group S.A. losses	**42.0**		**3.1**	7.3		0.6
Basic – adjusted earnings per share	**374.6**	**1,369.5**	**27.4**	424.1	1,357.1	31.3
Diluted earnings per share	**409.5**	**1,383.3**	**29.6**	401.8	1,390.4	28.9
Effect of exceptionals						
Loss on sale of operations and group restructuring	**23.5**		**1.7**	–		–
Gain on deemed disposal of Liberty Surf Group S.A.	**(120.8)**		**(8.7)**	–		–
Operating exceptional	**(5.8)**		**(0.4)**	3.5		0.3
Profit on disposal of properties	**(0.2)**		**–**	(6.2)		(0.4)
Tax impact arising on exceptional items	**0.9**		**0.1**	–		–
Minority share of exceptional items	**1.7**		**0.1**	–		–
Diluted earnings per share before exceptional items	**308.8**	**1,383.3**	**22.4**	399.1	1,390.4	28.8
Acquisition goodwill amortisation	**17.9**		**1.3**	10.5		0.7
Estimated Liberty Surf Group S.A. losses	**42.0**		**3.1**	7.3		0.5
Diluted – adjusted earnings per share	**368.7**	**1,383.3**	**26.8**	416.9	1,390.4	30.0

13 Intangible fixed assets

£ millions	Group: Goodwill: Business Acquisition	Group: Goodwill: Pharmacy Licences	Group: Total	Group: Other intangible assets
Cost				
At 29 January 2000	397.1	13.7	**410.8**	**3.7**
Additions	111.1	7.0	**118.1**	**15.5**
Disposals	(6.9)	–	**(6.9)**	**–**
At 3 February 2001	501.3	20.7	**522.0**	**19.2**
Amortisation				
At 29 January 2000	(12.7)	(0.7)	**(13.4)**	**(0.2)**
Charge for year	(17.8)	(0.9)	**(18.7)**	**(0.7)**
Disposals	0.7	–	**0.7**	**–**
At 3 February 2001	(29.8)	(1.6)	**(31.4)**	**(0.9)**
Net book amount				
At 3 February 2001	471.5	19.1	**490.6**	**18.3**
At 29 January 2000	384.4	13.0	**397.4**	**3.5**

Other intangible assets comprise publishing rights, licences and trademarks.

14 Tangible fixed assets

£ millions	Group: Land and buildings	Group: Fixtures, fittings and equipment	Group: Total	Company: Fixtures, fittings and equipment
Cost or valuation				
At 29 January 2000	2,528.1	1,666.1	**4,194.2**	**9.0**
Effect of foreign exchange rate changes	47.5	17.0	**64.5**	**–**
Transfers from work in progress	33.6	–	**33.6**	**–**
Subsidiary and business undertakings at date of acquisition	10.1	6.8	**16.9**	**–**
Additions	422.1	401.5	**823.6**	**3.9**
Disposals	(45.8)	(77.2)	**(123.0)**	**(0.3)**
Revaluation surplus	53.2	–	**53.2**	**–**
At 3 February 2001	3,048.8	2,014.2	**5,063.0**	**12.6**
Depreciation				
At 29 January 2000	17.0	744.7	**761.7**	**4.4**
Effect of foreign exchange rate changes	1.0	10.3	**11.3**	**–**
Charge for year	17.2	197.0	**214.2**	**1.6**
Disposals	(2.6)	(60.5)	**(63.1)**	**(0.1)**
Revaluation surplus	(0.7)	–	**(0.7)**	**–**
At 3 February 2001	31.9	891.5	**923.4**	**5.9**
Net book amount				
At 3 February 2001	3,016.9	1,122.7	**4,139.6**	**6.7**
At 29 January 2000	2,511.1	921.4	**3,432.5**	**4.6**
Assets in the course of construction included above				
At 3 February 2001	319.5	17.6	**337.1**	**–**
At 29 January 2000	108.0	30.4	**138.4**	**–**

14 **Tangible fixed assets** continued

The cost of land and buildings includes £10.6m (2000: £13.8m) in respect of assets held under finance leases.

The related accumulated depreciation at the end of the year was £1.3m (2000: £1.0m).

The cost of fixtures, fittings and equipment includes £30.2m (2000: £28.9m) in respect of assets held under finance leases.

The related accumulated depreciation at the end of the year was £16.6m (2000: £14.1m).

The amount of interest capitalised into tangible fixed assets during the year was £4.3m (2000: £1.3m). The cumulative total of interest included at the balance sheet date was £20.3m (2000: £16.0m).

Land and buildings include investment properties as follows:

£ millions	Group
Cost or valuation	
At 29 January 2000	138.5
Additions/Reclassifications	62.2
Transfers from work in progress	2.3
Disposals	(0.2)
Revaluation deficit	(10.3)
At 3 February 2001	192.5

	Group				
£ millions	Freehold	Long leasehold	Short leasehold	**Total 2001**	Total 2000
Land and buildings					
At valuation	2,302.2	242.8	36.7	**2,581.7**	2,289.0
At cost	428.2	25.5	13.4	**467.1**	239.1
	2,730.4	268.3	50.1	**3,048.8**	2,528.1
Aggregate depreciation	14.1	2.0	15.8	**31.9**	17.0
Net book amount					
At 3 February 2001	2,716.3	266.3	34.3	**3,016.9**	
At 29 January 2000	2,223.8	244.7	42.6		2,511.1

If land and buildings had not been revalued, the cost to the Group would have been:

£ millions	**2001**	2000
Cost	**2,149.8**	1,963.4
Aggregate depreciation	**27.7**	24.6
Net amount	**2,122.1**	1,938.8

During each of the last five years a representative sample of the freehold and long leasehold properties owned by Chartwell Land plc, the Group's property subsidiary, have been valued by external qualified valuers. CB Hillier Parker has carried out a valuation of a representative sample as at 31 December 2000 and, based upon the results of these valuations, there have been internal valuations by qualified valuers employed by the Group of the remainder of Chartwell Land's portfolio.

Properties with any element of Group occupancy are valued on an existing use value basis, which does not take account of formal lease arrangements with Group companies or the Group's occupation of the premises. Properties without Group occupancy are valued on the basis of open market value. These valuation bases comply with the RICS Appraisal and Valuation Manual.

Representative samples of the properties owned by the Darty group and BUT S.A. were valued by Galtier S.A. and DTZ Eurexi S.A. respectively as at 31 December 2000. Based on the results of these samples, the remaining properties belonging to these companies were internally valued by their respective directors. The basis of valuation is existing use value.

The directors have resolved to incorporate these valuations into the accounts and the resulting revaluation adjustments have been taken to the revaluation reserve. The revaluations during the year ended 3 February 2001 resulted in a revaluation surplus of £53.9m (2000: £148.4m).

15 Fixed asset investments

Group – interests in joint ventures and associated undertakings

£ millions	Investment in joint ventures	Investment in associates
Cost		
At 29 January 2000	14.4	44.5
Additions to cost	11.5	0.2
Additions to goodwill	4.2	–
Effect of foreign exchange rate changes	0.6	0.5
At 3 February 2001	30.7	45.2
Share of post acquisition reserves		
At 29 January 2000	1.5	(5.3)
Share of retained profits/(losses) in year	3.3	(40.5)
Goodwill amortisation	(0.1)	–
Gain on deemed disposal	–	120.8
Effect of foreign exchange rate changes	(0.2)	3.2
At 3 February 2001	4.5	78.2
Group interest		
At 3 February 2001	35.2	123.4
At 29 January 2000	15.9	39.2

The addition to investment in joint ventures includes the Group's subscription on 1 June 2000 for 50% of the share capital of Koçtas Yapi Marketleri Ticaret A.S., a Turkish home improvement retail chain for a consideration of £8.2m including expenses and the Group's subscription on 29 September 2000 for 49% of the share capital of Shanghai B&Q Building Material Supermarket Co. Ltd, a Chinese home improvement business for consideration of £7.2m including expenses.

The gain on the deemed disposal is in respect of the shares issued by Liberty Surf Group S.A. on its listing on the Premier Market of the Paris Bourse on 16 March 2000.

Group – other investments

£ millions	ESOP shares (note 36)	Listed in the UK	Listed overseas	Unlisted	Total
At 29 January 2000	31.3	0.4	3.8	4.8	40.3
Additions	64.4	–	0.2	31.0	95.6
At 3 February 2001	95.7	0.4	4.0	35.8	135.9
Market value of listed investments at 3 February 2001	96.6	0.6	26.3		

The investments acquired during the year included minority interests in Virtueller Bau-Markt AG, the operator of heimwerker.de, the German e-commerce retailer of home improvement, gardening and leisure products; Recommend Limited, the operator of Improveline.com, an internet site which matches homeowners with building contractors; Think Natural Limited, a retailer of natural health products, and Dekor Inc, a US home improvement retailer. Within investments listed overseas, the Group owns 11.97% of Groupe Go Sport S.A. (sports leisurewear and equipment retailer), a company listed and registered in France. The Group exercises no significant influence over the operations of the foregoing and hence reports these interests as a cost of investment.

Company – interests in Group companies and own shares

£ millions	ESOP shares (note 36)	Unlisted	Interests in Group Companies	Total
At 29 January 2000	31.3	–	1,523.4	1,554.7
Additions	64.4	19.7	47.8	131.9
At 3 February 2001	95.7	19.7	1,571.2	1,686.6

15 Fixed asset investments continued

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The following information relates to those subsidiary undertakings, joint ventures and associated undertakings whose results or financial position, in the opinion of the directors, principally affect the figures of the Group:

Company	Country of incorporation and operation	% owned and voting rights	Description of share classes owned	Main activity
Principal subsidiaries				
B&Q plc	Great Britain	56.2%+	ordinary	Retailing
		and 100%	special•	
BCC Holding Amstelveen B.V.	Netherlands	100%	ordinary	Retailing
BUT S.A.*	France	100%	ordinary	Retailing
Castorama Dubois Investissements S.C.A.	France	56.2%+	ordinary	Retailing
Chartwell Land plc†	Great Britain	100%	ordinary	Property investment and development
Comet Group plc	Great Britain	100%	ordinary	Retailing
Datart Luxemböurg S.A.✧	Luxembourg	60%	ordinary	Retailing
Etablissements Darty et Fils S.A.	France	100%	ordinary	Retailing
Financière Kingfisher S.A.	France	100%	ordinary	Finance
Entertainment UK Ltd	Great Britain	100%	ordinary	Wholesaling
Halcyon Finance Ltd†	Great Britain	100%	ordinary	Finance
MVC Entertainment Ltd	Great Britain	100%	ordinary	Retailing
New Vanden Borre S.A.	Belgium	100%	ordinary	Retailing
NOMI S.A.×	Poland	86.9%	ordinary	Retailing
ProMarkt Holding GmbH & Co KG✧	Germany	100%	ordinary	Retailing
Superdrug Stores plc	Great Britain	100%	ordinary	Retailing
Time Retail Finance Ltd†	Great Britain	100%	ordinary	Financial services
VCI plc†✧	Great Britain	100%	ordinary	Publishing/Distribution
Woolworths plc	Great Britain	100%	ordinary	Retailing
		and 100%	deferred	
Principal joint ventures				
B&Q International Co. Ltd✧	Taiwan	50%	ordinary	Retailing
Koçtas Yapi Marketleri Ticaret A.S.✧	Turkey	50%	ordinary	Retailing
Principal associated undertakings				
Liberty Surf Group S.A.▲	France	35.8%	ordinary	Internet service provider

† Held directly by Kingfisher plc.
* BUT S.A. has consolidated some franchisee operations in which it has less than 50% of the voting rights but exercises a dominant influence through franchise agreements in place.
\+ The merged Castorama and B&Q group is 56.2% owned (54.8% fully diluted). Kingfisher plc, through its wholly-owned subsidiaries, has 50.06% voting rights.
• The special shares in B&Q are owned 100% by Kingfisher Group Limited and are non-voting.
▲ Sold March 2001.
✧ Owing to local conditions and to avoid undue delay in the presentation of the Group accounts, these companies made up their accounts to 31 December 2000.
× Increased to 99.1% in March 2001.

All the companies incorporated in Great Britain are registered in England and Wales.

16 Development work in progress and stocks

During the year £4.4m (2000: £1.1m) of interest was capitalised in development work in progress. At the year end development work in progress includes £2.7m (2000: £1.1m) of capitalised interest. Stocks wholly comprise finished goods and goods for resale.

17 Debtors

£ millions	Group 2001	Group As restated 2000	Company 2001	Company 2000
Amounts falling due within one year				
Trade debtors	**532.0**	275.3	**–**	–
Owed by subsidiary undertakings	**–**	–	**5,916.1**	5,341.1
Owed by joint ventures	**1.8**	1.8	**–**	–
Property debtors	**25.5**	1.9	**–**	–
Corporation tax	**1.7**	1.6	**–**	–
Other debtors	**249.9**	239.0	**5.9**	3.7
Prepayments	**162.6**	142.6	**0.3**	0.3
	973.5	662.2	**5,922.3**	5,345.1
Amounts falling due after more than one year				
Trade debtors	**13.1**	129.8	**–**	–
Other debtors	**9.1**	17.0	**–**	–
	22.2	146.8	**–**	–
Total debtors	**995.7**	809.0	**5,922.3**	5,345.1

18 Securitised consumer receivables

In January 1996, the Group entered into an agreement to securitise consumer receivables (which derive principally from the provision of credit facilities by Time Retail Finance Ltd (TRF) to customers of the Group) through Time Finance Limited (TFL). TRF sells the consumer receivables, with no impact on the profit and loss account, to TFL who issues Notes secured on those assets. The issue terms of the Notes include provisions that their holders have no recourse to TRF or any other member of the Group. Neither TRF nor any other Group company is obliged to support any losses, nor does it intend to. Principal and interest is repayable from, and secured solely on, the consumer receivables.

At 3 February 2001 the amount of consumer receivables securitised was £261.1m (2000: £303.8m) raising funds of £211.8m (2000: £234.5m) and this is shown on the balance sheet using linked presentation.

19 Current asset investments

£ millions	Group 2001	Group 2000
Deposits and investments		
Deposited and listed in the United Kingdom	**135.1**	328.8
Deposited and listed overseas	**31.6**	14.8
Unlisted investments	**1.9**	8.7
	168.6	352.3

The amounts shown above, excluding unlisted investments, include cash deposits of £38.7m (2000: £63.9m), comprising certificates of deposits and money market deposits, attracting interest rates based on LIBOR or EURIBOR, fixed for periods of up to 12 months. The remainder are investments in debt securities of £129.9m (2000: £279.7m). These investments are primarily at floating rates of interest based on LIBOR or EURIBOR, fixed for periods of up to 12 months. Investments of £104.6m (2000: £95.0m) are pledged to meet certain insurance liabilities.

20 Creditors: amounts falling due within one year

£ millions	Group 2001	Group 2000	Company 2001	Company 2000
Amounts falling due within one year				
Bank loans and overdrafts	**430.9**	380.5	**96.1**	76.0
Medium term notes	**316.8**	214.8	**316.8**	214.8
Commercial paper	**461.7**	234.1	**451.0**	222.8
Trade creditors	**1,185.3**	1,073.5	**–**	–
Bills payable	**147.7**	145.9	**147.7**	145.9
Owed to subsidiary undertakings	**–**	–	**3,656.2**	3,522.3
Owed to joint ventures	**5.8**	3.1	**–**	–
Corporation tax	**149.7**	144.4	**–**	–
Other taxation and social security	**359.5**	331.3	**–**	–
Other creditors	**140.2**	200.2	**0.8**	0.6
Accruals and deferred income	**605.4**	463.0	**104.9**	52.2
Proposed dividend payable by parent	**157.1**	143.7	**157.1**	143.7
Proposed dividend payable by subsidiary to minority	**31.1**	28.7	**–**	–
Obligations under finance leases	**12.7**	13.9	**–**	–
	4,003.9	3,377.1	**4,930.6**	4,378.3

Within bank loans and overdrafts an amount of £24.8m (2000: £6.6m) is secured over property, stock and other assets.

21 Creditors: amounts falling due after more than one year

£ millions	Group 2001	Group 2000	Company 2001	Company 2000
Amounts falling due after more than one year				
Eurosterling bond	**199.3**	199.1	**199.3**	199.1
Bank loans	**128.0**	102.1	**–**	–
Medium term notes	**427.7**	200.0	**427.7**	200.0
External funding	**755.0**	501.2	**627.0**	399.1
Accruals and deferred income	**89.6**	85.5	**–**	–
Obligations under finance leases	**36.5**	39.3	**–**	–
	881.1	626.0	**627.0**	399.1
External funding and finance leases fall due for repayment as follows:				
Between one and two years	**365.2**	60.4	**277.7**	51.4
Between two and five years	**29.7**	53.6	**–**	–
After five years other than by instalments	**360.1**	387.2	**349.3**	347.7
External funding	**755.0**	501.2	**627.0**	399.1
Obligations under finance leases between one and five years	**23.2**	24.0	**–**	–
Obligations under finance leases over five years	**13.3**	15.3	**–**	–
	36.5	39.3	**–**	–

Within bank loans and overdrafts an amount of £2.6m (2000: £2.7m) is secured over property, stock and other assets.

The £200m Eurosterling bond carries an annual coupon of 8.125%, which has been swapped into a floating rate interest obligation against three month LIBOR. The bond matures on 14 February 2007.

The proceeds of the medium term notes have been raised in sterling or euro or swapped into either sterling or euro obligations. The notes pay interest rates based on LIBOR or EURIBOR, fixed for periods of up to three years.

22 Interest rate and currency profile of gross financial liabilities

At 3 February 2001	Gross liabilities	Floating liabilities	Fixed liabilities	Weighted average interest rate on fixed liabilities	Weighted average time for which rate is fixed	Non-interest bearing liabilities	Weighted average time until maturity
Currency	£ millions	£ millions	£ millions	%	Years	£ millions	Years
Sterling	1,331.5	1,264.5	58.3	6.57	2.3	8.7	7.2
Euro	790.8	615.3	159.5	4.80	3.0	16.0	2.4
Other	60.7	56.4	2.6	8.87	10.0	1.7	1.0
Gross liabilities	2,183.0	1,936.2	220.4	5.32	2.9	26.4	3.9
At 29 January 2000							
Sterling	1,023.9	1,003.1	10.1	6.70	2.2	10.7	8.2
Euro	485.4	376.1	88.2	6.10	7.1	21.1	2.4
Other	45.3	42.5	2.8	8.90	10.4	–	–
Gross liabilities	1,554.6	1,421.7	101.1	6.20	6.7	31.8	4.4

The floating rate liabilities have interest rates based upon LIBOR and EURIBOR, fixed for periods of up to 12 months.

23 Interest rate and currency profile of gross financial assets

At 3 February 2001	Gross assets	Floating rate assets	Fixed rate assets	Weighted average interest rate on fixed rate assets	Weighted average time for which rate is fixed	Non-interest bearing assets
Currency	£ millions	£ millions	£ millions	%	Years	£ millions
Sterling	285.7	183.8	–	–	–	101.9
Euro	96.9	35.8	1.5	3.99	4.3	59.5
Other	17.8	9.9	–	–	–	7.9
Gross financial assets	400.4	229.5	1.5	3.99	4.3	169.3

Of which	
Fixed asset investments (excluding ESOP shares)	40.2
Debtors due after more than one year (see note 17)	22.2
Consumer receivables (see note 18)	49.3
Current asset investments (see note 19)	168.6
Cash at bank and in hand	120.1
	400.4

23 Interest rate and currency profile of gross financial assets continued

At 29 January 2000 Currency	Gross assets £ millions	Floating rate assets £ millions	Fixed rate assets £ millions	Weighted average interest rate on fixed rate assets %	Weighted average time for which rate is fixed Years	Non-interest bearing assets £ millions
Sterling	597.5	411.1	2.7	5.00	3.0	183.7
Euro	108.5	36.5	1.8	4.01	4.8	70.2
Other	28.0	19.3	–	–	–	8.7
Gross financial assets	734.0	466.9	4.5	4.61	3.7	262.6

Of which	
Fixed asset investments (excluding ESOP shares)	9.0
Debtors due after more than one year (see note 17)	146.8
Consumer receivables (see note 18)	69.3
Current asset investments (see note 19)	352.3
Cash at bank and in hand	156.6
	734.0

The floating rate financial assets have interest rates based upon LIBOR and EURIBOR, fixed for periods of up to 12 months.

24 Currency risk

To mitigate the effect of currency exposures arising from overseas investments, the Group borrows in the local currencies of its main operating subsidiaries. Gains and losses arising on net investments overseas and the financial instruments used to hedge the currency exposures are recognised in the statement of recognised gains and losses.

After taking into account the effect of any hedging transactions entered into to manage currency exposures, there were no significant net foreign currency monetary assets or liabilities at the balance sheet date. Matched assets and liabilities are those that generate no gain or loss in the profit and loss account either because they are denominated in the same currency as the Group operations to which they belong or because they qualify under SSAP 20 as a foreign currency borrowing providing a hedge against a foreign equity investment.

25 Maturity of financial liabilities

The maturity of the Group's gross financial liabilities is as follows:

£ millions	**2001**	2000
Within one year	**1,369.7**	989.3
Between one and two years	**395.9**	110.0
Between two and five years	**43.9**	77.5
Over five years	**373.5**	377.8
	2,183.0	1,554.6

26 Borrowing facilities

At 3 February 2001 the Group had the following undrawn committed borrowing facilities available:

£ millions	**2001**	2000
Expiring within one year	**315.9**	236.9
Expiring in more than one year but no more than two years	**400.6**	4.6
Expiring beyond two years	**–**	400.7
	716.5	642.2

27 Fair values of financial assets and liabilities

Set out below is a year end comparison of fair and book values of all the Group's financial instruments by category. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting cash flows at prevailing interest and exchange rates.

£ millions	**2001** Book Value	**2001** Fair Value	2000 Book Value	2000 Fair Value
Primary financial instruments held or issued to finance the Group's operations				
Fixed asset investments (excluding ESOP shares)	**40.2**	**62.6**	9.0	26.6
Long-term borrowings	**(783.8)**	**(813.9)**	(540.5)	(550.0)
	(743.6)	**(751.3)**	(531.5)	(523.4)
Derivative financial instruments held to manage the interest rate and currency profile				
Interest rate swaps and similar instruments	**20.9**	**44.8**	–	19.1
Cross currency interest rate swaps	**(19.8)**	**(19.4)**	–	1.0
Currency options	**–**	**(0.4)**	–	1.0
Forward foreign currency contracts	**–**	**1.5**	–	4.4
	1.1	**26.5**	–	25.5
	(742.5)	**(724.8)**	(531.5)	(497.9)

There are no material differences between the book and fair values of the Group's other financial assets and liabilities.

28 Hedges

Derivative financial instruments are accounted for using hedge accounting to the extent that they are held to hedge a financial asset or liability and their gains and losses are not recognised until the exposure that is being hedged is itself recognised. Where such instruments do not hedge an underlying asset or liability, they are accounted for using fair value accounting.

At 3 February 2001 £ millions	Gains	Losses	**Total net gains**
Unrecognised gains and losses on hedges at 29 January 2000	30.9	(5.4)	**25.5**
Gains and losses arising in previous years or pre-acquisition periods that were recognised in the period to 3 February 2001	11.7	(2.8)	**8.9**
Gains and losses arising in the previous years or pre-acquisition periods that were not recognised in the period to 3 February 2001	19.2	(2.6)	**16.6**
Gains and losses arising in the period ending 3 February 2001 that were not recognised in that period	8.6	(0.9)	**7.7**
Unrecognised gains and losses on hedges at 3 February 2001	27.8	(3.5)	**24.3**
Of which			
Gains and losses expected to be recognised within one year	6.7	(1.1)	**5.6**
Gains and losses expected to be recognised after more than one year	21.1	(2.4)	**18.7**
	27.8	(3.5)	**24.3**

28 **Hedges** continued

At 29 January 2000 £ millions	Gains	Losses	**Total net gains/ (losses)**
Unrecognised gains and losses on hedges at 30 January 1999	0.3	(1.0)	**(0.7)**
Gains and losses arising in previous years or pre-acquisition periods that were recognised in the period to 29 January 2000	0.1	(0.1)	**–**
Gains and losses arising in the previous years or pre-acquisition periods that were not recognised in the period to 29 January 2000	0.2	(0.9)	**(0.7)**
Gains and losses arising in the period ending 29 January 2000 that were not recognised in that period	30.7	(4.5)	**26.2**
Unrecognised gains and losses on hedges at 29 January 2000	30.9	(5.4)	**25.5**
Of which			
Gains and losses expected to be recognised within one year	11.7	(2.8)	**8.9**
Gains and losses expected to be recognised after more than one year	19.2	(2.6)	**16.6**
	30.9	(5.4)	**25.5**

29 **Provisions for liabilities and charges**

£ millions	Pensions	Deferred tax	Onerous property contracts	**Total**
Balance at 29 January 2000	11.1	0.6	6.9	**18.6**
Transfer to profit and loss account	1.1	0.8	–	**1.9**
Utilised in the year	(0.2)	–	(0.8)	**(1.0)**
Effect of foreign exchange rate changes	0.2	–	–	**0.2**
Balance at 3 February 2001	12.2	1.4	6.1	**19.7**

£ millions	**2001**	2000
Deferred taxation not provided		
Accelerated capital allowances	**59.3**	50.4
Potential chargeable gains on properties	**223.1**	223.2
Losses	**(78.8)**	(39.0)
Other	**(11.1)**	(2.9)
	192.5	231.7

Within the pensions provision, the final salary pension fund provision for the UK pension scheme is £6.5m. This provision arises through accounting for the UK pension costs under SSAP 24 (see note 34). The remaining pension provision of £5.7m relates to overseas pension schemes.

Within the onerous property contracts provision, the Group has provided against future liabilities for all properties sublet at a shortfall and long-term idle properties. The provision is based on the value of future cash outflows relating to rent, rates and service charges. Due to the uncertainty relating to the timing of disposals and the related difficulty in predicting future successes, prudent estimates have been included in the assessment of the provision requirement.

29 Provisions for liabilities and charges continued

No provision has been made for accelerated capital allowances as future projections indicate that these will not reverse in the forseeable future.

The potential tax on disposal of revalued properties includes the effect of revaluations in France and the UK. No provision has been made for this as there is either no intention to dispose of these properties, or in the case of properties which may be disposed of, no tax liability is expected to arise.

30 Called up share capital

£ millions	Number of ordinary shares of 12.5p each	**2001**	2000
Authorised at 3 February 2001 and 29 January 2000	1,600,000,000	**200.0**	200.0
Allotted and fully paid at start of year	1,368,280,601	**171.0**	170.0
Scrip dividend alternative	10,349,296	**1.3**	0.5
Options exercised under ShareSave at between £1.845 and £7.050 per share	4,716,119	**0.6**	0.2
Options exercised under the Executive Share Option Scheme at between £2.235 and £3.285 per share	13,322,848	**1.7**	0.3
Allotted and fully paid at the end of the year	1,396,668,864	**174.6**	171.0

31 Reserves

	Group				
£ millions	Share premium account	Revaluation reserve	Non-distributable reserve	Profit and loss account	**Total**
At 29 January 2000 as previously stated	255.2	534.4	148.2	1,519.8	**2,457.6**
Prior year adjustment (see note 1)	–	–	–	(19.1)	**(19.1)**
At 29 January 2000 as restated	255.2	534.4	148.2	1,500.7	**2,438.5**
Shares issued under option schemes	90.7	–	–	(41.7)	**49.0**
Scrip dividend alternative	–	–	–	56.5	**56.5**
Retained profit for the financial year	–	–	–	200.7	**200.7**
Unrealised surplus on revaluation of properties (see note 14)	–	53.9	–	–	**53.9**
Prior year property revaluation surplus now realised	–	(14.2)	–	14.2	**–**
Minority increase in Castorama	–	–	–	(0.9)	**(0.9)**
Net foreign exchange adjustments	–	–	–	7.9	**7.9**
Tax on exchange adjustments	–	–	–	2.9	**2.9**
At 3 February 2001	345.9	574.1	148.2	1,740.3	**2,808.5**

The cumulative amount of goodwill written off directly to reserves at the start and end of the year in respect of undertakings still within the Group is £1,541.2m.

Included in the revaluation reserve is an unrealised deficit of £5.8m relating to investment properties.

31 Reserves continued

£ millions	Company			
	Share premium account	Non-distributable reserve	Profit and loss account	**Total**
At 29 January 2000	255.2	936.0	764.8	**1,956.0**
Shares issued under option schemes	90.7	–	–	**90.7**
Scrip dividend alternative	–	–	56.5	**56.5**
Retained loss	–	–	(218.5)	**(218.5)**
At 3 February 2001	345.9	936.0	602.8	**1,884.7**

The Company loss on ordinary activities after taxation was £2.1m (2000: profit of £92.0m).

The non-distributable reserve represents the premium on the issue of convertible loan stock in 1993, and merger reserves relating to the acquisitions of Darty and Superdrug.

32 Reconciliation of movement in equity shareholders' funds

£ millions	**2001**	As restated 2000
Profit for the financial year attributable to the members of Kingfisher plc	**415.5**	409.0
Dividends	**(214.8)**	(198.2)
	200.7	210.8
Foreign exchange adjustments (net of tax)	**10.8**	(53.2)
Unrealised surplus on revaluation of properties (see note 14)	**53.9**	142.0
Shares issued under option schemes	**51.3**	10.3
Scrip issue	**57.8**	34.6
Non-distributable reserve arising on the combination of B&Q and Castorama	**–**	1.9
Minority increase in Castorama	**(0.9)**	21.2
Net addition to shareholders' funds	**373.6**	367.6
Opening shareholders' funds (originally £2,628.6m before deducting prior year adjustment of £19.1m)	**2,609.5**	2,241.9
Closing shareholders' funds	**2,983.1**	2,609.5

33 Consolidated cash flow

(a) Reconciliation of operating profit to net cash flow from operating activities

£ millions	**2001**	As restated 2000
Group operating profit	**704.5**	746.1
Depreciation and amortisation	**233.7**	191.3
Decrease/(increase) in development work in progress	**7.5**	(25.3)
Increase in stocks	**(377.3)**	(272.3)
Increase in debtors	**(143.6)**	(106.2)
Increase in creditors	**127.8**	326.0
Loss on disposal of fixed assets	**10.6**	4.2
Net cash inflow from operating activities	**563.2**	863.8

33 Consolidated cash flow continued

(b) Analysis of changes in cash

£ millions	2001 Net cash	2001 Liquid resources	2001 Financing	2001 Total	2000 Net cash	2000 Liquid resources	2000 Financing	2000 Total
At start of year	**138.6**	**18.0**	**–**	**156.6**	95.3	145.9	–	241.2
Effect of foreign exchange rate changes	**1.0**	**–**	**–**	**1.0**	(5.4)	(7.7)	–	(13.1)
Change in short-term cash deposits	**–**	**(4.2)**	**–**	**(4.2)**	–	(120.2)	–	(120.2)
Net cash flow	**(33.3)**	**–**	**–**	**(33.3)**	48.7	–	–	48.7
At end of year	**106.3**	**13.8**	**–**	**120.1**	138.6	18.0	–	156.6

(c) Analysis of changes in investments

£ millions	2001 Net cash	2001 Liquid resources	2001 Financing	2001 Total	2000 Net cash	2000 Liquid resources	2000 Financing	2000 Total
At start of year	**–**	**352.3**	**–**	**352.3**	–	311.7	–	311.7
Change in market value	**–**	**–**	**–**	**–**	–	0.7	–	0.7
Net movement in investments	**–**	**(183.7)**	**–**	**(183.7)**	–	39.9	–	39.9
At end of year	**–**	**168.6**	**–**	**168.6**	–	352.3	–	352.3

Investments included as liquid resources comprise amounts held to meet current and future claims under insurance policies underwritten by the Group (note 19).

(d) Analysis of changes in gross debt*

£ millions	2001 Net cash	2001 Liquid resources	2001 Financing	2001 Total	2000 Net cash	2000 Liquid resources	2000 Financing	2000 Total
At start of year	**(173.0)**	**–**	**(1,356.7)**	**(1,529.7)**	(295.7)	–	(950.6)	(1,246.3)
Acquisitions	**(0.8)**	**–**	**–**	**(0.8)**	(4.9)	–	(39.6)	(44.5)
Effect of foreign exchange rate changes	**(0.7)**	**–**	**(15.2)**	**(15.9)**	23.2	–	12.7	35.9
Net cash inflow	**14.4**	**–**	**–**	**14.4**	104.4	–	–	104.4
Net movement in loans	**–**	**–**	**(630.5)**	**(630.5)**	–	–	(379.2)	(379.2)
At end of year	**(160.1)**	**–**	**(2,002.4)**	**(2,162.5)**	(173.0)	–	(1,356.7)	(1,529.7)

*Includes bank loans and overdrafts, bills payable, medium-term notes, commercial paper, and all external funding, and finance lease creditors in note 21.

(e) Total net debt

£ millions	2001 Net cash	2001 Liquid resources	2001 Financing	2001 Total	2000 Net cash	2000 Liquid resources	2000 Financing	2000 Total
Net debt at start of year	**(34.4)**	**370.3**	**(1,356.7)**	**(1,020.8)**	(200.4)	457.6	(950.6)	(693.4)
(Decrease)/increase in cash	**(18.9)**	**–**	**–**	**(18.9)**	153.1	–	–	153.1
Debt in subsidiaries acquired	**(0.8)**	**–**	**–**	**(0.8)**	(4.9)	–	(39.6)	(44.5)
Net movement in short-term deposits	**–**	**(4.2)**	**–**	**(4.2)**	–	(120.2)	–	(120.2)
Net movement in debt and lease financing	**–**	**–**	**(630.5)**	**(630.5)**	–	–	(379.2)	(379.2)
Net movement in short-term investments	**–**	**(183.7)**	**–**	**(183.7)**	–	39.9	–	39.9
Change in market value of investments	**–**	**–**	**–**	**–**	–	0.7	–	0.7
Foreign exchange effects	**0.3**	**–**	**(15.2)**	**(14.9)**	17.8	(7.7)	12.7	22.8
Net debt at end of year	**(53.8)**	**182.4**	**(2,002.4)**	**(1,873.8)**	(34.4)	370.3	(1,356.7)	(1,020.8)

Liquid resources comprise short-term deposits with banks which mature within 12 months of the date of inception.

34 Pension costs

The Group operates a variety of pension arrangements covering both funded and unfunded defined benefit schemes and funded defined contribution schemes. By far the most significant are the funded defined contribution and defined benefit schemes for the Group's UK employees.

The total pension charge in the profit and loss account (see note 8) of £46.1m (2000: £40.2m) includes £2.6m (2000: £2.1m) for the UK defined contribution scheme.

A formal actuarial valuation of the UK defined benefit scheme was carried out by a professionally qualified actuary, at 31 March 1998, using the projected unit method of funding. In this valuation, the assets were taken at their market value of £908m (including AVCs). A value was placed on the liabilities by discounting the anticipated future benefits, including allowance where appropriate for future increases in pensions and pensionable salaries, using assumptions derived by reference to market conditions as at 31 March 1998. On this basis, the assets were sufficient to cover over 104% of the scheme's liabilities before allowing for the cost of a special increase for the oldest and longest retired pensioners effective from 1 April 1999. The next valuation will be made at 31 March 2001.

The pension cost for this scheme charged in the profit and loss account of £37.5m (2000: £32.5m) is assessed in accordance with the advice of an actuary, using the projected unit method of funding. The principal assumptions adopted were that, over the long term, assets would return 3.75% p.a. in excess of inflation and dividends on UK equities will increase in real terms by 1.1% p.a., pensionable pay would increase in real terms by 1.68% p.a. and increases to pensions in payment would lag price inflation by 0.25% p.a.

There are also funded defined benefit arrangements covering senior executives in France, for which the charge in the profit and loss account was £4.9m (2000: £4.7m). A further £1.1m charge (2000: £0.9m) has been reflected in the profit and loss account in respect of other overseas pension arrangements.

35 Commitments

	Group			
£ millions	**Land and buildings 2001**	**Plant and equipment 2001**	Land and buildings 2000	Plant and equipment 2000
Annual commitments under operating leases				
Expiring within one year	**31.1**	**8.3**	32.8	8.9
Expiring between two and five years	**91.0**	**21.0**	85.9	24.2
Expiring in five years or more	**451.7**	**–**	340.0	0.4

The Company had an annual commitment expiring in more than five years of £nil (2000: £1.0m) in respect of land and buildings.

Capital commitments contracted but not provided for by the Group amounted to £86.1m (2000: £83.8m). The Company has no capital commitments.

36 Share options

The granting of all options is made by the Remuneration Committee, which consists solely of non-executive directors.

Under the Executive, International Executive and Phantom Share Option Schemes, participants receive an annual allocation of options based on their position in the Group. In granting options, the Remuneration Committee has regard to both individual and Company performance. The option price is the market price the day an offer is made; there is no discount. With the exception of the Phantom Options granted on 23 October 1997, options are capable of exercise after at least three years and within 10 years of the date of grant. On the exercise of Phantom Options, applicants receive in cash the increase in value of the allocated number of notional shares in the Company. In total 496 executives held various options as at 3 February 2001.

In addition, all permanent employees (excluding those receiving Executive Options) were granted options over 400 shares in both 1997 and 1998, provided that they were employed as at the 19 March 1997 and in employment on the date of grant. These options are within the Executive Share Option Scheme.

36 Share options continued

Under the UK ShareSave Plan, eligible UK employees can enter into an Inland Revenue approved savings contract for a period of three or five years, whereby shares may be acquired with repayments under the contract. The option price is the average market price over three days shortly before an offer to subscribe, discounted by a maximum of 20%. Options are exercisable within a six-month period from the conclusion of a three or five-year period.

An International ShareSave Plan, along the lines of the UK ShareSave Plan is available to eligible employees in France, Belgium and Hong Kong. It is intended that this Plan be extended to other countries in due course.

There are 25,731 employees in ShareSave Plans, of which 3,379 are in the International Plan.

The Qualifying Employee Share Ownership Trust (QUEST) has assumed the obligation to satisfy options granted under the UK ShareSave plan and it is intended that it will satisfy all future grants under the UK ShareSave Plan. The QUEST subscribes for shares at their market value at the time of subscription (funded by the exercise money received from option holders and contributions from Group companies). During the year, the QUEST subscribed for 4,716,119 shares for a total consideration of £25.5m. Dividends on shares held by the QUEST are waived in accordance with the trust deed.

The rules of the Executive, International Executive and Phantom Share Option Scheme and ShareSave Plans include provision for the early exercise of options in certain circumstances.

Options to subscribe under the various schemes for ordinary shares of 12.5p, including those noted in directors' interests in the Remuneration Report on pages 38 to 40 are shown in the table below.

	Date options granted	Subscription price per share (pence)	No of persons holding options	Exercisable from	Number of shares for which rights are exercisable	
					2001	2000
Executive, International Executive and Phantom Share Options	23/04/91	220.0	2	23/04/94	**45,906**	45,906
	24/10/91	263.3	1	24/10/94	**701,314**	701,314
	30/04/92	223.5	8	30/04/95	**70,470**	71,934
	15/10/92	229.3	1	15/10/95	**444,748**	444,748
	26/04/93	280.0	29	26/04/96	**144,457**	149,343
	20/10/93	327.5	2	20/10/96	**27,528**	27,528
	29/04/94	288.5	13	29/04/97	**461,191**	529,993
	15/11/94	238.0	11	15/11/97	**565,184**	785,602
	28/04/95	225.0	24	28/04/98	**417,302**	718,296
	30/10/95	250.0	21	30/10/98	**1,042,324**	1,196,200
	01/05/96	291.5	102	01/05/99	**1,761,518**	2,308,050
	25/10/96	320.0	29	25/10/99	**991,532**	1,111,394
	16/04/97	328.5	145	16/04/00	**2,772,822**	3,933,772
	23/10/97	328.5	11	16/04/00	**4,400**	8,594
	23/10/97	405.0	85	23/10/00	**1,287,996**	1,337,892
	27/04/98	549.5	260	27/04/01	**3,004,950**	3,109,370
	21/07/98	496.5	5	21/07/01	**2,000**	2,000
	26/10/98	524.0	82	26/10/01	**783,607**	801,862
	01/04/99	781.0	355	01/04/02	**2,260,128**	2,260,128
	26/05/99	804.5	7	26/05/02	**98,966**	176,032
	28/09/99	639.0	134	28/09/02	**1,238,615**	1,256,106
	17/04/00	521.0	424	17/04/03	**6,983,385**	–
	25/04/00	560.3	6	25/04/03	**37,482**	–
	25/09/00	473.0	391	25/09/03	**3,107,620**	–
					28,255,445	20,976,064

36 **Share options** continued

	Date options granted	Subscription price per share (pence)	No of persons holding options	Exercisable from	Number of shares for which rights are exercisable 2001	2000
All-employee	16/04/97	328.5	18,119	16/04/00	**7,247,600**	18,110,000
	21/07/98	496.5	44,586	21/07/01	**17,834,400**	17,840,000
					25,082,000	35,950,000
UK and International ShareSave	14/05/94	239.5	–	01/08/99	**–**	12,816
	05/05/95	184.5	31	01/08/00	**42,764**	3,071,022
	17/05/96	233.5	2,624	01/08/01	**2,521,872**	2,755,212
	09/05/97	264.5	60	01/08/00	**27,686**	1,674,913
	09/05/97	264.5	2,497	01/08/02	**2,383,112**	2,596,814
	07/05/98	438.0	3,497	01/08/01	**1,196,150**	1,509,396
	07/05/98	438.0	2,887	01/08/03	**1,797,066**	2,212,002
	07/05/99	705.0	4,372	01/08/02	**732,634**	1,332,158
	07/05/99	705.0	2,712	01/08/04	**833,816**	1,466,661
	21/10/99	506.0	5,463	01/12/02	**1,565,660**	2,794,636
	21/10/99	506.0	2,855	01/12/04	**1,514,210**	2,660,771
	21/10/99	591.0	2,816	01/12/04	**912,044**	1,065,580
	16/05/00	428.0	6,540	01/07/03	**2,102,059**	–
	16/05/00	428.0	2,683	01/07/05	**1,482,269**	–
	16/05/00	517.0	678	01/07/05	**189,579**	–
	24/10/00	365.0	6,891	01/12/03	**3,330,422**	–
	24/10/00	365.0	2,862	01/12/05	**2,705,575**	–
	24/10/00	387.0	322	01/12/05	**205,460**	–
					23,542,378	23,151,981
					76,879,823	80,078,045

The table above includes the options which will be met by shares held in the Employee Share Ownership Plan Trust (ESOP).

The Employee Share Ownership Plan Trust (ESOP)

The Kingfisher ESOP is a discretionary trust which has been funded by a £96.1m interest free loan from the Company and its subsidiaries to acquire shares in Kingfisher plc.

The ESOP's current shareholding is 20,131,809 shares valued at £96.6m on 3 February 2001. Dividends on these shares have not been waived. The cost of running the trust is included in the profit and loss account. Where options have been granted with an exercise price below the average purchase price, the difference has been provided in full.

The ESOP has undertaken:

(a) to transfer shares to employees on exercise of various options granted under the Executive and International Executive Share Option Schemes.

(b) to pay the cash sum due on exercise of rights granted under the Phantom Share Option Scheme (the ESOP will realise the due sum if necessary by selling in the market sufficient of its shares to realise that sum);

(c) to pay the cash sum due on exercise of the Share Appreciation Rights granted to Belgian employees under the International ShareSave Plan;

(d) to transfer shares under the Value Enhancement Plan in accordance with the rules.

36 Share options continued

As at 3 February 2001 the liabilities of the ESOP are as follows:

	Date rights granted	Acquisition price per share (pence)	Number of persons holding rights	Exercisable/ deliverable from	Number of shares for which rights subsist 2001	2000
Executive and International Executive	29/04/94	288.5	7	29/04/97	**91,168**	131,410
	15/11/94	238.0	2	15/11/97	**36,376**	36,376
	27/04/98	549.5	253	27/04/01	**2,864,576**	2,968,996
	01/04/99	781.0	346	01/04/02	**2,138,768**	2,138,768
	26/05/99	804.5	7	26/05/02	**98,966**	176,032
	28/09/99	639.0	131	28/09/02	**1,219,775**	1,237,266
	17/04/00	521.0	415	17/04/03	**6,823,285**	–
	25/04/00	560.3	6	25/04/03	**37,482**	–
	25/09/00	473.0	382	25/09/03	**3,015,418**	–
					16,325,814	6,688,848
Phantom	30/04/92	223.5	6	30/04/95	**35,484**	36,948
	26/04/93	280.0	18	26/04/96	**64,397**	69,283
	28/04/95	225.0	–	28/04/98	**–**	41,238
	01/05/96	291.5	1	01/05/99	**45,144**	78,398
	16/04/97	328.5	3	16/04/00	**73,878**	103,388
	23/10/97	328.5	11	16/04/00	**4,400**	8,594
	23/10/97	405.0	3	23/10/00	**106,154**	106,154
	27/04/98	549.5	7	27/04/01	**140,374**	140,374
	21/07/98	496.5	5	21/07/01	**2,000**	2,000
	26/10/98	524.0	1	26/10/01	**7,714**	7,714
	01/04/99	781.0	9	01/04/02	**121,360**	121,360
	28/09/99	639.0	3	28/09/02	**18,840**	18,840
	17/04/00	521.0	9	17/04/03	**160,100**	–
	25/09/00	473.0	9	25/09/03	**92,202**	–
					872,047	734,291
International ShareSave	21/10/99	506.0	39	01/12/02	**15,517**	19,905
	21/10/99	506.0	12	01/12/04	**4,073**	4,073
	16/05/00	428.0	12	01/07/03	**7,742**	–
	16/05/00	428.0	4	01/07/05	**1,344**	–
	24/10/00	365.0	3	01/12/05	**6,083**	–
					34,759	23,978
Value Enhancement Plan	17/03/99	–	5	17/03/00	**–**	44,669
	17/03/99	–	5	17/03/01	**44,667**	44,669
	22/03/00	–	6	22/03/01	**57,798**	–
	22/03/00	–	6	22/03/02	**57,797**	–
					160,262	89,338
Unallocated					**2,738,927**	(4,521)
					20,131,809	7,531,934

37 Acquisitions and disposals

The Group has made a number of acquisitions in the year.

On 31 January 2000, the Group acquired the assets and business of Hugo Van Praag, a Belgian electrical retailer. Total consideration was £23.9m giving rise to goodwill of £20.9m.

On 19 June 2000, the Group acquired the remaining 40% of ProMarkt Holding GmbH & Co KG, which it did not already own. Consideration was satisfied by the disposal of the Group's 55% stake in Tangens GmbH and the payment of £13.9m giving rise to goodwill of £41.4m.

On 6 October 2000, the Group acquired 60% of the share capital of Datart International A.S., a Czech electrical retailer. Total consideration was £16.8m giving rise to goodwill of £16.5m.

On 14 December 2000, the Group acquired 85% of the share capital of Streets Online Limited, a music and video/DVD e-commerce business. Total consideration was £15.1m giving rise to goodwill of £19.2m.

A financial summary of these transactions is as follows:

£ millions	Book value	Fair value adjustments: Revaluations	Fair value adjustments: Accounting policy alignments	Fair value to the Group
Tangible fixed assets	5.8	–	(0.3)	5.5
Stocks	9.4	–	–	9.4
Other current assets	8.6	–	–	8.6
Creditors	(15.9)	(1.7)	–	(17.6)
	7.9	(1.7)	(0.3)	5.9

£ millions	Goodwill arising
Cash consideration	117.3
Net assets acquired	(5.9)
Minority arising	(0.3)
Goodwill	111.1

The Group has made two disposals in the year.

On 2 October 2000, the Group disposed of Andre Deutsch Limited, a book publishing business. On 10 January 2001, the Group disposed of certain trading assets of Electric City (Singapore) Pte Limited, a Singaporean electrical retailer. Total consideration received net of fees was £5.9m and an exceptional loss of £14.7m has been included in the Profit and Loss Account.

A financial summary of these transactions is as follows:

£ millions	Loss arising
Cash consideration	5.9
Net assets disposed	(20.6)
Loss on disposal (see note 4)	(14.7)

38 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 is shown below:

£ thousands	2001 Value of transactions	2001 Receivable/ (Payable) at year end	2000 Value of transactions	2000 Receivable/ (Payable) at year end
Transactions with B&Q International Co. in which the Group holds a 50% interest:				
Provision of employee services	**305**	**-**	159	–
Sale of store fixtures	**686**	**438**	1,042	393
Transactions with Cinema Club Ltd in which the Group holds a 50% interest:				
Provision of administration and distribution services	**1,609**	**685**	1,351	526
Turnover payable less royalties	**(12,111)**	**(6,465)**	(9,319)	(3,626)
Transactions with Menafinance S.A. in which the Group holds a 50% interest:				
Loan	**1,000**	**1,000**	922	922
Loan interest	**31**	**31**	19	18
The Company provides administrative services to the Group's pension schemes. The amounts charged to the schemes and the balances outstanding at the year end were:				
Kingfisher Pension Scheme	**1,354**	**376**	1,142	104
Kingfisher Retirement Trust	**26**	**(4)**	23	11

Statement of the directors' responsibilities

The following statement is made with a view to distinguishing for shareholders the respective responsibilities of the directors and the auditors in relation to the financial statements.

The directors are required by company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group as at the end of the financial year and of the profit for the year to that date. In preparing the financial statements the directors are required:

- to ensure that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985;
- to take such steps as are reasonably open to them to safeguard the assets of the Company and Group and to prevent and detect fraud and other irregularities;
- to apply suitable accounting policies in a consistent manner and supported by reasonable and prudent judgements and estimates where necessary;
- to comply with all applicable accounting standards (except where any departures from this requirement are explained in the notes to the financial statements); and
- to ensure the maintenance and integrity of the Company's corporate website where used for the electronic publication of financial statements.

Independent auditors' report to the members of Kingfisher plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes, which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report, the Chairman's statement, the operating and financial review and the corporate governance statement.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 3 February 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
13 March 2001

Kingfisher plc five-year history

Profit and loss

£ millions	1997†	1998†	1999†	2000†	2001
Turnover					
Home Improvement	1,464.0	1,753.7	2,055.4	4,528.3	**5,093.5**
Electrical and Furniture	1,875.2	1,937.9	2,458.1	3,188.0	**3,564.9**
General Merchandise	2,377.3	2,618.0	2,840.9	3,065.5	**3,358.4**
Property	65.8	51.2	41.1	32.5	**59.2**
Financial services	32.5	48.6	62.3	70.7	**58.2**
Total turnover	5,814.8	6,409.4	7,457.8	10,885.0	**12,134.2**
Operating profit					
Home Improvement	101.9	165.3	188.1	365.8	**398.5**
Electrical and Furniture	134.7	147.5	173.4	194.3	**184.0**
General Merchandise	144.5	168.5	189.9	183.9	**140.7**
Property	58.6	61.1	69.1	76.0	**85.9**
e-commerce and other new channels	–	–	(3.7)	(24.0)	**(81.9)**
Exceptional item – other operating income/(expense)	–	–	44.7	(3.5)	**5.8**
Other operating costs	(17.2)	(22.5)	(25.1)	(37.9)	**(44.8)**
Acquisition goodwill amortisation	–	–	(2.2)	(10.5)	**(17.9)**
Total operating profit	422.5	519.9	634.2	744.1	**670.3**
Profit/(loss) on disposal of fixed assets	(1.5)	5.7	2.1	6.2	**0.2**
Profits and losses on disposal, closure and restructuring of operations/investments	–	9.3	–	–	**97.3**
Profit before interest	421.0	534.9	636.3	750.3	**767.8**
Interest	(25.4)	(13.3)	(9.9)	(37.5)	**(76.6)**
Profit before taxation	395.6	521.6	626.4	712.8	**691.2**
Taxation	(110.3)	(133.1)	(183.5)	(204.4)	**(170.8)**
Profit after taxation	285.3	388.5	442.9	508.4	**520.4**
Earnings per share (pence)					
Basic	21.4	28.9	32.1	30.1	**30.3**
Fully diluted	21.2	28.6	31.5	28.9	**29.6**
Basic*	21.5	27.8	29.9	31.3	**27.4**
Fully diluted*	21.3	27.5	29.3	30.0	**26.8**
Dividend per share (pence)	9.5	11.5	13.0	14.5	**15.5**

*Before exceptional items, acquisition goodwill amortisation and estimated LibertySurf losses.

Balance sheets

£ millions	1997†	1998†	1999†	2000†	2001
Intangible assets	–	–	267.3	400.9	**508.9**
Property	1,079.4	1,209.8	2,064.0	2,511.1	**3,016.9**
Other tangible assets	582.0	607.1	821.4	921.4	**1,122.7**
Investments	67.6	51.2	66.4	95.4	**294.5**
Total fixed assets	1,729.0	1,868.1	3,219.1	3,928.8	**4,943.0**
Net current assets	12.7	37.3	47.9	109.7	**549.8**
Non-current assets/(liabilities)	77.7	59.5	31.1	42.7	**(62.3)**
Capital employed	1,819.4	1,964.9	3,298.1	4,081.2	**5,430.5**
Equity shareholders' funds	1,422.2	1,761.9	2,242.0	2,609.5	**2,983.1**
Equity minority interests	(2.0)	(0.5)	362.7	450.9	**573.6**
Net debt	399.2	203.5	693.4	1,020.8	**1,873.8**
Capital employed	1,819.4	1,964.9	3,298.1	4,081.2	**5,430.5**

Share data

millions	1997†	1998†	1999†	2000†	2001
Number of shares in issue – period end	1,344.4	1,352.5	1,359.9	1,368.3	**1,396.7**
– average	1,335.6	1,343.6	1,351.2	1,357.1	**1,369.5**
Fully diluted number of shares	1,342.7	1,358.2	1,376.7	1,390.4	**1,383.3**

Share price

	1997†	1998†	1999†	2000†	2001
High	341p	480p	694p	930p	**630p**
Low	254p	327p	425p	477p	**354p**
Average	307p	379p	537p	707p	**500p**

†Restated in respect of an accounting policy change for UITF 24 pre-opening costs.

Shareholder information

Analysis of shareholders

Classification of shareholders	Number of holders	Percentage of total holders	Number of shares	Percentage of ordinary share capital
Private holders	32,727	73.05	69,563,758	4.98
Banks and nominee companies	9,202	20.54	1,242,639,248	88.97
Pension funds	24	0.05	12,348,179	0.89
Investment and unit trusts	185	0.41	3,344,761	0.24
Insurance companies	123	0.28	35,350,869	2.53
Corporate holders	2,540	5.67	33,422,049	2.39
	44,801	100.00	1,396,668,864	100.00

Shareholding range

1 – 500	18,070	40.33	4,797,864	0.34
501 – 1,000	10,761	24.02	8,032,729	0.58
1,001 – 5,000	12,690	28.33	26,424,383	1.89
5,001 – 50,000	2,266	5.06	30,855,535	2.21
50,001 – 100,000	266	0.59	19,308,533	1.38
100,001 – 500,000	437	0.98	104,830,517	7.51
500,001 and over	311	0.69	1,202,419,303	86.09
	44,801	100.00	1,396,668,864	100.00

Results and financial diary

For the year to 2 February 2002

First-quarter trading update	23 May 2001
Half-year results to July 2001 announced	12 September 2001*
Interim ordinary dividend paid	16 November 2001*
Third-quarter trading update	12 December 2001*

*Provisional

Annual general meeting

To be held at 11.00 am on Wednesday 23 May 2001 at The Dorchester, Park Lane, London. Each shareholder is entitled to attend and vote at the meeting.

Dividend payments

The proposed final dividend (if approved) will be paid on 15 June 2001 to shareholders on the register on 6 April 2001. Shareholders will have the opportunity to receive their dividends in shares instead of cash. Details of the scrip dividend alternative will be sent separately to shareholders.

Shareholders are able to elect to receive their cash dividend in French francs. For further details please contact the Company's Registrar (address overleaf).

Payment of dividends by BACS

Many shareholders have already arranged for dividends to be paid by mandate directly to their bank or building society account. The Company mandates dividends through the BACS (Bankers' Automated Clearing Services) system. The benefit to shareholders of the BACS payment method is that the Registrar posts the tax vouchers directly to them, whilst the dividend is credited on the payment date to the shareholder's bank or building society account. Shareholders who have not yet arranged for their dividends to be paid direct to their bank or building society account and wish to benefit from this service should request the Company's Registrar (address below) to send them a Dividend/Interest mandate form or alternatively complete the mandate form attached to their dividend tax voucher in June.

Registrar and transfer office

All administrative enquiries relating to shareholdings should, in the first instance, be directed to the Company's Registrar and clearly state the registered shareholder's name and address. Please write to Kingfisher Registrar, Computershare Services PLC, PO Box 435, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 4BR. Telephone (0870) 702 0129.

Shareholder information on the internet

Computershare Services PLC, the Company Registrar, has introduced a facility where shareholders are able to access details of their shareholding in the Company over the Internet, subject to complying with an identity check. This service can be accessed on their website (*www.computershare.com*).

Share dealing facilities

A low cost postal share dealing service for the purchase and sale of Kingfisher plc shares is provided by NatWest Stockbrokers at a commission of 1% on the first £3,000 and 0.5% on the balance (minimum £9.50). Further information and dealing forms can be obtained by writing to NatWest Stockbrokers, Corporate & Employee Services, 55 Mansell Street, London E1 8AN, by telephoning (020) 7895 5029, or by e mailing (*contactces@natwest.com*).

Individual Savings Accounts (ISAs)

Kingfisher has arranged for Halifax Share Dealing Limited (HSDL) to offer you the choice of a Maxi or Mini Stocks and Shares Kingfisher ISA.

An ISA provides an attractive tax free shelter for your shares, where you can benefit from tax-free dividends, and no capital gains tax when you sell your shares.

The Kingfisher ISA is a single stock ISA, meaning that you can hold only Kingfisher shares. For further information, or to register for an account, please contact HSDL on (0870) 600 9966, quoting 'Kingfisher Employee'.

Halifax Share Dealing Limited, regulated by the Securities and Futures Authority, a Member of the London Stock Exchange, a participant in the Investors' Compensation Scheme and an Inland Revenue Approved ISA Manager.

Company Secretary and registered office

Helen Jones, Kingfisher plc, North West House, 119 Marylebone Road, London NW1 5PX. Telephone (020) 7724 7749.

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KINGFISHER
Kingfisher plc North West House 119 Marylebone Road London NW1 5PX +44 (0)20 7724 7749
www.kingfisher.co.uk