Kingfisher

2022/23 Annual Report and Accounts

Kingfisher at a glance

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Financial highlights

For the year ended 31 January 2023

Sales

£13,059m

2021/22: £13,183m

(0.7)%[1]

Like-for-like[2]

Gross profit/margin[2]

£4,795m

2021/22: £4,935m

36.7%

(70)bps

Retail profit[2]/margin[2]

£923m

2021/22: £1,148m

7.1%

(160)bps

Adjusted pre-tax profit[2]/margin

£758m

2021/22: £949m

5.8%

(140)bps

Statutory profit – pre-tax and post-tax

Pre-tax

£611m

2021/22: £1,007m

Post-tax

£471m

2021/22: £843m

Basic earnings per share (EPS) – adjusted and statutory

Adjusted[2]

29.7p

2021/22: 35.2p

Statutory

23.8p

2021/22: 40.3p

Total dividend[3]

12.40p

2021/22: 12.40p

Net decrease in cash

£(555)m

2021/22: £(237)m

Free cash flow[2,3]

£(40)m

2021/22: £385m

Net debt[2]

£(2,274)m

2021/22: £(1,572)m

Net debt[2] to EBITDA[2]

1.6x

2021/22: 1.0x

1. Variance in constant currency.
2. Alternative performance measure (APM). See the Glossary on pages 184 to 187 for definitions and reconciliations of APMs.
3. The Board has proposed a final dividend per share of 8.60p (FY 21/22 final dividend: 8.60p), resulting in a proposed total dividend per share of 12.40p in respect of FY 22/23 (FY 21/22: 12.40p). The final dividend is subject to the approval of shareholders at the Annual General Meeting on 27 June 2023.
4. Evaluation of our Key Performance Indicators against our strategy can be found on pages 10 and 11 and pages 39 to 46.

Who we are

Kingfisher is an international home improvement company with over 1,900[1] stores in eight countries across Europe.

We offer home improvement products and services to consumers and trade professionals through our stores and e-commerce channels.

Our purpose

We believe a better world starts with better homes. We help make better homes accessible for everyone.

Our strategic principles

Kingfisher banners are not the same. This is a strength.

We 'power' these banners as a Group.

A clear vision to build customer propositions for the future.

Human, agile and lean.

Where we operate

Kingfisher operates in eight countries across Europe under retail banners including B&Q, Castorama, Brico Dépôt, Screwfix, TradePoint and Koçtaş, supported by a team of 82,000[1, 2] colleagues.

Our stores

1,188	**223**	**97**	**33**	**28**	**3**	**355**
UK & Ireland[3]	France[4]	Poland	Romania	Spain	Portugal	Turkey[5]

All figures on this page relate to the year ended 31 January 2023.

1. Turkey joint venture included.
2. Total, not full-time equivalent.
3. B&Q 316. Screwfix 872.
4. Castorama 95. Brico Dépôt 123. Screwfix 5.
5. Our stores in Turkey, Koçtaş, are operated as a 50% joint venture. Store figure as of 31 December 2022.

Chair's statement

Kingfisher has seen a tremendous amount of change over the last few years as we set about modernising the company and positioning it for future growth. We are now three years into the 'Powered by Kingfisher' strategy and Chief Executive Thierry Garnier and his team have done a great job organising the resources of the Group. This means we can make the most of our overall size and scale while keeping, through our local teams, the majority of operational decisions as close to the customer as possible.

Last year this strategy delivered above average market performance in all our banners together with solid increases in customer satisfaction and colleague engagement. These are the 'vital signs' for a company like Kingfisher and it's encouraging to see them consistently on the rise. At the same time, continued investment in our IT and digital capability is paying dividends and, along with other initiatives, such as the opening of our first Screwfix store in France last October, gives us great confidence in our ability to generate growth in shareholder value going forward.

Our strategy and infrastructure investments are also making Kingfisher a more resilient business, one more capable of absorbing and responding to external shocks, of which there seems to be no shortage. During the year we saw this greater resilience clearly as our supply chain and stock availability held up very well despite the significant sourcing challenges created by repeated Covid-19 lockdowns in China and the impact on energy prices and supplier confidence arising as a result of the war in Ukraine.

In the year, the Group delivered a resilient financial performance, particularly given the year on year comparable and the impact of rapid inflation and rising interest rates on consumer confidence towards the end of the year. Overall revenues for the Group were down 0.7% (3-year LFL up 15.6%), adjusted pre tax profits at £758 million with statutory pre-tax profits at £611 million, down 39.3%. The Board is proposing a final dividend of 8.60p, which would make the total dividend for the year 12.40p and bring our total return to shareholders in the year to £583 million.

Our purpose is to 'make better homes accessible for everyone'. This is a task that is always worthwhile but perhaps never more so than right now. The pandemic has changed the role of the home with more working from home and with energy management an increasing priority for both households and governments, this is a time when Kingfisher can really step up and help. The recent surge in interest in our energy saving products and services has been remarkable and with the profile of the transition to a net zero economy only increasing, we expect this interest to be sustained. Our offer in this critical area will continue to grow in line with demand and using the Group's scale and design capability, we will look to continue to offer these products at prices that are affordable to the majority.

Underpinning our purpose is a determination to operate the company in a way that is sensitive to the current and future needs of the communities and customers we serve, our colleagues and the planet. Kingfisher has a long history as a pioneer of Responsible Business and we are committed to staying an acknowledged leader in the field. Over the last year we made good progress in a number of important areas. These include the roll out of immersive diversity and inclusion training for senior teams, the creation of new development programmes for store-based colleagues, support for apprenticeship programmes, reducing our carbon emissions, increasing the number of 'sustainable' products we offer and setting new, ambitious targets as part of our net zero commitment. These and other initiatives are covered in detail in this report and will hopefully provide compelling evidence of our determination to play our part as a good corporate citizen.

Our ESG commitments and progress are discussed in detail on pages 23 to 26.

Good governance is an integral part of the Company's success. We have a diverse and balanced Board who make a strong contribution to strategic development and stewardship of the Group. Recently, the Board received inclusive leadership training and completed an externally facilitated Board effectiveness review. The outcome of this review was positive and concluded that the Board operates effectively and well. In May we were delighted to welcome Bill Lennie to the Board. Bill spent the bulk of his career in the US Home Improvement market and his deep knowledge of the sector has been very much in evidence in his early dealings with both executive and Board colleagues. Bill will be a great asset to the business going forward.

I would also like to thank all my other colleagues on the Board for their continued commitment and support of the business. We have had challenges to face over the past 12 months and the quality of the Board and its collegiate way of working has clearly helped us make good decisions, often at pace. I must also thank Thierry and the team for their tireless efforts to drive the business forward and our wider base of colleagues right across the business who make Kingfisher what it is.

We look forward with confidence. Short term macro economic challenges are clearly present but with a compelling strategy, excellent leadership and the evident commitment of our people, I remain very optimistic about our prospects.

Andrew Cosslett
Chair of the Board

20 March 2023

Chief Executive Officer's statement

After two extraordinary years dominated by the pandemic, this year has brought new challenges, as households and businesses across Europe navigate the impact of inflationary pressures. I would like to thank one more time all Kingfisher colleagues for their hard work to support our customers throughout this time. Thanks to their efforts, the business has delivered a year of solid execution and a resilient performance while continuing to make strategic progress at pace.

A year of solid execution

Kingfisher's financial performance for FY 22/23 was in line with our expectations and guidance, against strong prior year comparatives. Like-for-like sales were 15.6% ahead of pre-pandemic levels, and our sales outperformed home improvement industry growth. Across all our markets, our sales have remained resilient in both DIY and DIFM/trade channels. To reflect our performance, the Board has proposed a total dividend of 12.40p per share, in line with FY 21/22.

We have maintained a sharp focus to deliver on value to our customers during this challenging period for household finances, while at the same time managing our cost inflation pressures effectively. Strong supply chain management has ensured good product availability while keeping a firm grip of our inventories.

Strong progress against our strategic priorities

We are pleased with the progress we have made in the three years since launching our 'Powered by Kingfisher' strategic plan. This has been achieved against the backdrop of an extraordinary operating environment, which has presented challenges as well as opportunities for our business. To reflect the fast-moving world in which we live, we have refreshed our strategic focus areas to ensure data, trade, culture and agility are given increased prominence and focus, and to better align to our investments for growth in multiple areas of the business. You can read more about the refreshed pillars of 'Powered by Kingfisher' on pages 6 to 9.

Our e-commerce sales have increased by 146% over the last three years. This has been driven by improvements to our e-commerce proposition that offer our customers more convenience, faster fulfilment of orders, and broader product choice. To expand choice, this year we launched marketplaces at B&Q in the UK and Brico Dépôt in Spain and Portugal, all of which are performing strongly. Our stores are at the heart of our e-commerce proposition and continue to play a fundamental role, with 91% of online orders picked in store.

Our own exclusive brands (OEB), which represent 45% of Group sales, continue to be a point of differentiation for our banners. During the year, we redefined our OEB strategy around three core pillars: innovation, affordability and sustainability. Moving forward, all new product launches and range reviews will clearly align to these pillars.

Throughout the year, we have continued to take advantage of expansion opportunities for our different banners. Screwfix opened a record 82 new stores in the UK and Ireland in the year, creating over 800 jobs in local communities. We also took the first steps in bringing its proven model to France, with five stores opened between October 2022 and January 2023. In Poland, we opened seven new Castorama stores, bringing its total to 97 stores.

Our compact store format tests in the UK, France and Poland have delivered encouraging learnings and results. In the year ahead, we will continue to test further compact stores in several markets, including B&Q Local in the UK, where we see considerable opportunity to increase our presence in more urban areas.

As a Group, we have been prioritising Responsible Business for over three decades and this year, we continued to make progress against our targets. We exceeded our 1.5°C aligned science-based scope 1 and 2 carbon reduction targets, reducing emissions by 52.7% (FY 19/20: 18.5%). Sustainable Home Products accounted for £6.2 billion of sales, representing 47% of Group sales (FY 21/22: 44%). This has more than doubled since we established the programme in FY 11/12.

During the year, we expanded our range of energy-saving products and services to help customers save money by improving their homes' energy efficiency. This included launching new energy-saving diagnostic solutions in the UK and France, which help customers create personalised home energy efficiency action plans and access relevant products and services.

Multiple profitable growth opportunities

Kingfisher is well positioned to navigate the year ahead and deliver medium-term profitable growth, while driving strong cash generation. Our banners are diverse, representing the full spectrum of the home improvement market with distinct offers for both DIY and trade customers. We continue to invest for growth and our refreshed strategy provides us with a clear plan to maximise the many opportunities we see ahead of us.

We see significant potential to grow by building on our different banner propositions in new and existing markets. Screwfix France is well positioned to take a share of the trade professional market in France, which has an estimated total market size of over €29 billion, with up to 25 new stores planned for FY 23/24. We are building on our leadership position in Poland, targeting 80 medium-box and compact store openings over the next five years.

We have plans to continue to build our e-commerce offer through greater speed and choice, including further expansion of our marketplace model by growing product ranges and preparing to roll out marketplaces in France and Poland. Leveraging the power of data is another big opportunity, to build customer-centric tools and solutions, support better commercial decision-making, and unlock significant new sources of revenue for the Group. For example, we are exploring opportunities to quickly monetise our data capabilities through retail media (advertising placed within our e-commerce platforms and apps).

Across the Group, we are also strengthening our proposition for trade customers, building on the success of B&Q's TradePoint and the accelerated expansion of Screwfix. This includes exploring dedicated trade counters in France, Poland & Iberia, and developing trade-focused ranges, services and loyalty programmes. Over time, we expect increased trade customer penetration to contribute to higher sales and profit growth.

Chief Executive Officer's statement continued

We expect many of the supportive industry trends we have seen emerge in the last few years to endure, as the home continues to be a key priority for consumers. How we live and work has fundamentally changed since the pandemic, with working from home here to stay, while rising energy costs have underscored the importance of improving the efficiency of our homes.

In terms of current trading, February 23/24 like-for-like sales were up 0.5% with underlying sales trends remaining resilient. With consumers continuing to be impacted by cost of living pressures, we are as committed as ever to delivering on value. We are maintaining strong price indices in our key markets, offering affordable products through our OEB ranges and we have our hard discounter banner, Brico Dépôt, in France, Spain and Portugal.

We have set clear medium-term financial priorities, focusing on delivering sales growth ahead of our markets, growing adjusted pre-tax profit faster than sales, and strong cash generation to drive growth investment and shareholder returns.

Looking ahead, we are comfortable with current consensus of sell-side analyst estimates for FY 23/24 adjusted pre-tax profit, with expectation of more than £500 million free cash flow for the year. We are well positioned to navigate the coming year, targeting further market share growth, and active and responsive management of our operating costs.

This has been a year of significant progress for the Group. Kingfisher is a business with multiple profitable growth opportunities which we are pursuing at pace. Once again, I'd like to thank all of our 82,000 colleagues for their hard work, which has been critical to us delivering a resilient performance this year.

Thierry Garnier
Chief Executive Officer

20 March 2023

To hear more about our results from Thierry Garnier please use the link www.kingfisher.com/fullyearvideo

Our markets

The home improvement market for consumer and trade sales in our key geographies is worth approximately £150 billion. Growth in customer expenditure on hardware and DIY goods over the past decade has outperformed total customer expenditure and has also proved to be robust during periods of economic weakness.

In Europe, this market is significant and caters for a variety of customer needs from maintenance to repair or decoration tasks and heavy renovation projects. These needs are met by a wide range of private label and branded product categories and corresponding installation, design, and consumer finance services. Larger format home improvement stores and trade channels are among the key distribution channels. However, generalist and specialist online 'pure-players', online marketplaces, home improvement specialist stores and discounters also play a role.

Structural drivers are expected to remain supportive of growth in our industry in the medium term despite softening of demand due to the cost of living crisis. Although we've recently seen a slowdown in housing constructions and transactions within the current uncertain environment, the housing market is still dynamic, with moving or buying a first house still high on consumers' agenda. Further, increased renovation is anticipated in response to the growing heavy maintenance and improvement burden associated with ageing housing stock in our markets. We also expect to see increased demand for energy efficiency in homes as governments intensify efforts around net zero; in the UK and France where 60% to 75% of housing stock is deemed energy inefficient.

Customers are increasingly passionate about improving their homes and we have seen new positive longer-term trends for the industry being established. Customers across our markets are spending more time living and working at home. They are placing a greater emphasis on improving the practicality and comfort of their surroundings and in turn are spending more in the home improvement market. We expect further demand for home improvement longer term to address the resulting 'wear and tear' on the home through increased use and the need to organise living space differently.

During the pandemic we have also seen the emergence of a younger generation of 'DIYers' with interest, skills, and enthusiasm. This allows us to capture a diverse range of customers. The more home improvement projects people undertake, the more DIY skills they learn – building confidence and ultimately increasing their interest and appetite for the activity.

While the overall home improvement market is growing, other clear longer-term shifts in customer behaviours and trends provide us with further opportunities. Our 'Powered by Kingfisher' strategy is closely aligned with these trends and allows the business to respond appropriately.

Over the last two years, the trend towards online has rapidly accelerated and all our key banners have experienced significant e-commerce growth. Pre-pandemic, Screwfix had been the exception amongst our banners with 33% e-commerce sales penetration. However, with our stores at the centre of our e-commerce proposition, online sales now make up 16.3% of Group sales. Stores provide support for the significant proportion of online orders fulfilled through Click & Collect, in-person returns, and faster home delivery. In addition, retailers with omnichannel strategies such as Kingfisher provide customers with the option to visualise and design projects, seek advice, and choose from a wider range of fulfilment options.

Increased customer demand for speed and convenience is driving the need for a wider network of smaller and more easily accessible stores, and so we believe compact stores unlock the opportunity for rapid expansion into smaller cities and geographic 'white spaces'.

We continue to respond to this trend through testing and rollout of compact store formats as set out on pages 7 to 9.

In more mature European markets, a rising focus on value for money and pricing transparency has seen discounter format stores grow and expand their home improvement ranges. With our renowned Brico Dépôt discounter banners in France and Iberia, as well as our competitive own exclusive brand (OEB) products and overall Group-wide focus on attractive price positioning, we are well placed to respond in this area.

Kingfisher has balanced exposure to the DIY and Do-it-For-Me (DIFM)/trade trends with an approximately equal revenue split and healthy growth across both segments. Alongside the well-documented increase in DIY during the pandemic, which is increasingly seen as a hobby and an activity that contributes to wellbeing, the DIFM trade category has also continued to grow. This has been supported by the development of service platforms connecting offer and demand in an easier way. Kingfisher acquired NeedHelp, one of Europe's leading home improvement online services marketplaces, in November 2020.

Finally, being a responsible business is more relevant and important than ever before. As the 'green homes' agenda accelerates, we see considerable potential for our Sustainable Home Products, in particular in the UK and France where the governments have made net zero commitments. The ongoing energy crisis adds weight to the urgent need for governments to increase their support of greener homes and energy efficiency. This provides us with opportunities to build on our strong sustainability credentials.

Our approach to responsible business is discussed from page 23.

Our strategy

In June 2020, we announced our strategic plan – ‘Powered by Kingfisher’. This plan aims to maximise the benefits of combining our distinct retail banners, which serve a range of different customer needs, with the scale, strength and expertise of the Kingfisher Group. The business has executed strongly against its core strategic priorities in order to power its retail banners, leading to stronger propositions for our customers and market share growth. Reflecting the fast-moving world in which we live, we have adapted our strategic focus areas to ensure data, trade, culture and agility are given increased prominence and focus, and to better align to our investments for growth in multiple areas of the business.

1

Grow by building on our different banners

Our retail banners occupy number one or two positions in all our key markets. These banners address a diverse range of customer needs, each operating different models tailored to these needs, with clear positionings and plans. Our goal is to grow by building on our different formats in existing and new markets, leveraging the power of Kingfisher.

2

Accelerate e-commerce through speed and choice

We plan to accelerate our e-commerce sales with the ambition of reaching 25% e-commerce sales penetration. We will do this by building on our progress over the last three years to further enhance speed, choice and convenience for our customers, supported by our e-commerce marketplace and data-led propositions. Furthermore, as we facilitate the development of more customer-centric digital tools and services, this will drive the growth of our digitally-enabled sales.

3

Build a **data-led** customer experience

We are increasingly embedding data within Kingfisher. Our banners are leveraging data to build customer-centric tools and solutions, support better commercial decision-making, and unlock significant new sources of revenue and profit for the Group.

4

Differentiate and **win through own exclusive brands (OEB)**

We believe that our OEB product development is a significant source of value for our retail banners and their customers. OEB provide us with the ability to differentiate ourselves from the rest of the market by delivering simple, innovative and sustainable solutions at affordable prices. OEB also carry a higher gross margin (on average) than branded products. We aim to grow our OEB sales further as we bring even more innovative and affordable solutions to our customers.

5

Develop
trade business

Trade customers are an integral part of the home improvement ecosystem and a key priority for Kingfisher. Trade customers tend to visit more frequently and spend more than the average retail customer. The significant opportunities to engage further with trade customers include the further roll-out of trade counters, international expansion, digital enhancements, range expansion, loyalty programme optimisation, improved merchandising, more partnerships and new services.

6

Roll out
compact store formats

Stores play a critical role in the home improvement market. They serve as a 'one-stop shop' for projects, enabling customers to be inspired, to visualise and 'try before they buy', and receive customised advice and services from in-store experts. Over the last three years they have also played an integral role in meeting elevated demand via e-commerce channels, whether through fast Click & Collect or delivery to where the customer wants it. We believe that compact stores will play an increasingly crucial role in addressing the consumer need for both speed and convenience. Through compact store expansion, our ambition is to grow market share, optimise our overall store footprint, and to grow sales densities and store profitability.

7

Lead the industry in **Responsible Business** practices and energy efficiency

We are committed to leading our industry in responsible business practices. Building on our strong Environmental, Social, and Governance (ESG) credentials, our 'Powered by Kingfisher' strategy sets out four priority areas for Responsible Business where we can maximise our positive impact on the lives of our customers, colleagues, communities and the planet. As the green homes agenda accelerates, we see considerable potential for our Sustainable Home Products, in particular in the UK and France where the governments have made net zero commitments. The ongoing energy crisis adds weight to the urgent need for governments to increase their support of greener homes and energy efficiency.

8

Human, agile
and lean

To deliver the best possible service to our customers and ensure our colleagues are engaged, fulfilled and able to realise their full potential, we are building a culture based on trust, agility, inclusion and curiosity. We are adopting a 'done is better than perfect' mindset in order to move faster and with more agility, given the rapidly changing environment in which we do business. We also realise the need to be leaner and more productive, and are making changes to lower our costs and same-store inventories. And through the use of our scale, we expect to extract further value from sourcing and buying.

Performance against priorities

Strategic priorities	Progress
Grow by building on our different banners	– First Screwfix stores opened in France following successful launch as a pure-play online retailer. – Continued expansion of Castorama in Poland. – Opened first two B&Q franchise stores in the Middle East.
Accelerate e-commerce through speed and choice	– Expanded store-based picking model. – More options for Click & Collect (C&C) through the roll out of lockers in Poland, which are also being tested at B&Q. – New last-mile delivery options including Screwfix Sprint available to c. 45% of the UK. – New e-commerce marketplace model successfully launched at B&Q and in Spain and Portugal.
Build a data-led customer experience	– Established data Centre of Excellence with expertise in artificial intelligence (AI), machine learning, advanced analytics and data platform engineering. – New Group-developed recommendation engine implemented at B&Q and Screwfix, driving higher click-through and add-to-basket rates as well as faster response times. – Entered strategic partnerships, including with Google Cloud.
Differentiate and win through own exclusive brands (OEB)	– OEB continuing to drive affordability, product innovation and sustainability, and is carrying a higher gross margin % on average than branded products. – Completed roll-out of 32 new and redeveloped OEB brands to drive differentiation between retail banners and extended ranges. – Good performance in kitchen, bathroom & storage and EPHC (electricals, plumbing, heating & cooling) categories, all showing year-on-year growth.
Develop trade business	– Accelerated Screwfix openings in the UK & Ireland, and strong progress in developing the proposition in France. – TradePoint (in B&Q) 3-year LFL sales growth of +31.5%, outperforming core B&Q and reaching 22% sales penetration. – Launched plan to grow trade customer penetration across all other banners, including new trade loyalty programmes in Poland and Iberia, and the introduction of new trade-focused services and OEB and branded product ranges.
Roll out compact store formats	– High street concept tests (*B&Q Local* in the UK, *Casto* in France and *Castorama Express* in Poland) continue to deliver encouraging learnings and results. – Small retail park concepts are also showing positive results. – Entering final testing phase for Screwfix ultra-compact 'XSR' store format.
Lead the industry in Responsible Business practices and energy efficiency	– Brought forward pay awards and introduced support for colleagues to help manage higher costs of living. – Announced new net zero emissions target for our operations (scope 1 and 2) by the end of 2040. – Developed innovative end-to-end solutions at B&Q, Castorama France and Brico Dépôt France to help customers create personalised energy efficiency action plans for their homes, including access to relevant products and services.
Human, agile and lean	– Embedding a 'test and learn' culture across the Group, alongside key leadership behaviours to support delivery of our strategy. – Strengthened talent and capability in key areas, including technology, data and trade. – Multi-year cost reduction programmes continue to help offset inflationary pressures.

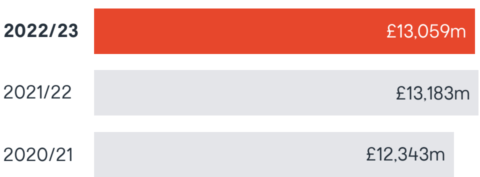
Proof points for FY 22/23	Forward focus
82 Screwfix stores opened in the UK and Ireland **5** Screwfix stores now open in France **18** new TradePoint counters in the UK	– Leverage expansion opportunities in our current markets and where attractive in new geographies. – Ongoing roll-out of Screwfix; in FY 23/24, up to 60 new stores planned in the UK and Ireland and up to 25 new stores planned for France. – Longer term, explore new markets, franchise and wholesale models.
91% orders picked from stores **24%** digitally enabled sales **24%** B&Q marketplace participation in February 2023 **+20ppt** online NPS vs FY 19/20	– Leverage our stores to offer customers even faster speed. – Further rapid expansion of the number of SKUs on marketplace planned, preparing for the roll-out of marketplaces in Poland and France. – Ambition of reaching 25% e-commerce sales penetration.
20m new identifiable customers acquired since 2019/20 **c. 1bn** customer visits across our e-commerce touchpoints annually	– Leverage data for margin realisation; better pricing decisions, better promotional and markdown effectiveness. – Supply chain visibility in real time to optimise fulfilment and availability, providing suppliers real time stock visibility, demand-led stock optimisation and replenishment. – Developing opportunities to quickly monetise our data capabilities through retail media, including advertising placed within our e-commerce platforms and apps.
45% Group sales **20%** of Group sales from five leading OEB brands **56%** of OEB sales from Sustainable Home Products	– Continue to develop innovative OEB ranges through a customer project lens. – Further embedding sustainability credentials at the core of OEB proposition. – Establish OEB as the most affordable solution for customers.
18 new TradePoint counters opened in the UK **+31.5%** TradePoint 3-year LFL sales growth	– Grow share of wallet by deepening relationships, leveraging loyalty schemes, and developing pro-focused ranges. – Extend reach through small formats with TradePoint in more of the B&Q estate. – Grow digital, including launching TradePoint app. – Expand trade sales across our general DIY and discount formats.
17 new compact stores opened in the UK, France and Poland **12** high street concept stores now open in the UK, France and Poland	– Continue to learn from tests with the aim of creating scalable blueprints. – Focus on urban, in-fill and 'white space' locations. – New Brico Dépôt compact store to launch this year.
47% of Group sales from Sustainable Home Products **6.6** million hours of 'skills for life' learning completed by colleagues since FY 19/20 **2.1** million people helped through charitable partnerships and banner Foundations since FY 16/17 **52.7%** reduction in carbon footprint for our own operations against FY 16/17 base year	– Continue to progress against our four key pillars: colleagues, customers, communities and planet. – Realise growth share of sales from sustainable products (including energy efficient products and solutions). – Improve communication to customers and colleagues.
4 store rightsizings completed at B&Q **54** eNPS score, significantly ahead of global retail benchmark	– Continue to embed our 'test & learn' mindset. – Prioritise agile and efficient technology. – Continuing to challenge costs and inventory.

Key Performance Indicators

We use a range of financial and non-financial Key Performance Indicators (KPIs) to track and evaluate delivery of our 'Powered by Kingfisher' strategy.

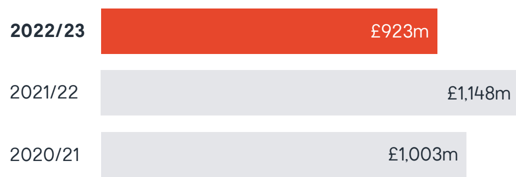
Financial performance indicators

Total sales



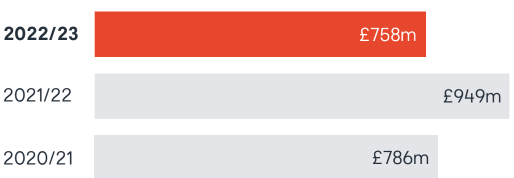
Sales down 0.7% in constant currency, reflecting strong prior year comparatives linked to high demand for home improvement products. Resilient sales across both retail and trade channels.

Retail profit*



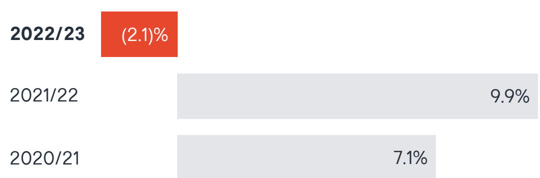
Retail profit down 19.2% in constant currency to £923 million (FY 21/22: £1,148 million; FY 19/20: £786 million), largely reflecting very strong prior year comparatives in the UK & Ireland and France.

Adjusted pre-tax profit*



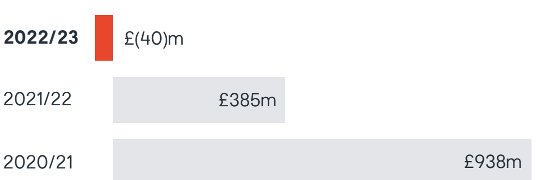
Adjusted pre-tax profit down 20.2% to £758 million (FY 21/22: £949 million; FY 19/20: £544 million), reflecting lower retail profit, partially offset by lower finance costs.

Like-for-like sales*



Like-for-like (LFL) sales down 2.1% and corresponding 3-year LFL up 15.6%. Double-digit 3-year LFL sales growth across all banners. Positive one-year growth in Poland, Iberia and Romania; resilient performance in France and strong prior year comparatives for the UK & Ireland.

Free cash flow*

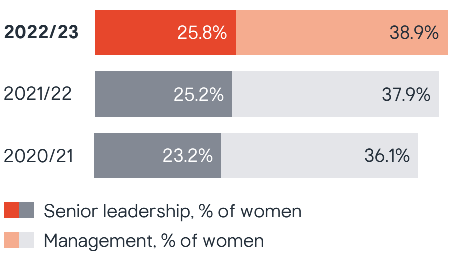


Free cash flow of £(40) million, down £425 million (FY 21/22: £385 million; FY 19/20: £191 million), reflecting lower EBITDA and one-off working capital outflow from completion of inventory rebuild programme.

* Denotes an Alternative Performance Measure (APM). APMs are defined in the Glossary on pages 184 to 187.

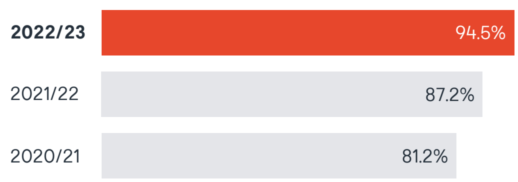
Non-financial performance indicators

Inclusion and diversity



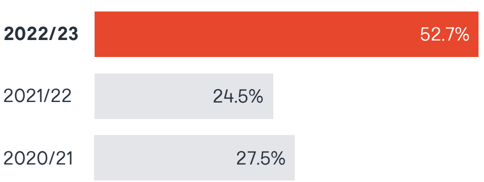
25.8% of senior leaders and 38.9% of managers are women, compared with 25.2% and 37.9% respectively last year.* We remain focused on improving our gender balance.

Responsibly sourced wood and paper



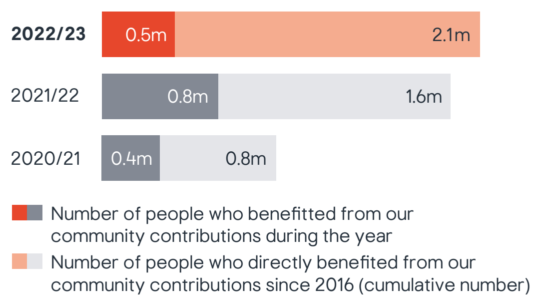
We have further increased the share of our responsibly sourced wood and paper to 94.5% of total SKUs sold. We are on track to achieve our target of 100% by FY 25/26.

Operational carbon emissions



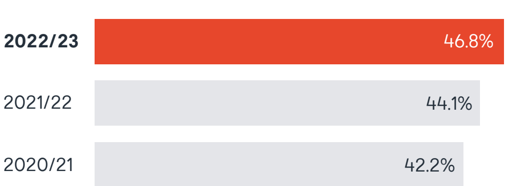
We continue to make progress against our science-based targets and have reduced operational emissions (scope 1 and 2, 1.5°C scenario) by 52.7% since FY 16/17, exceeding our target of 38% by FY 25/26.

Community: people we helped



0.5 million people benefited from our community donations. This brings our total to 2.1 million people helped through our projects since FY 16/17, achieving our target of 2 million three years earlier.

Sustainable Home Products: % of retail sales



46.8% of total Group sales came from Sustainable Home Products (SHP) that help create greener, healthier homes. This represents an increase on the previous year, and we are on track to achieve our target of 60% Group sales to be from our SHP by FY 25/26. The share of SHP sales for our own exclusive brand (OEB) was 56.4%, also an increase on FY 21/22. The OEB SHP participation missed target by 0.6% points.

* We previously reported two sets of management data, one in our Directors' remuneration report and the other in the People and Responsible Business sections. This year, we have aligned this data and are now reporting progress against the target set out in the Directors' remuneration report (to increase women in management to 40% by FY 25/26) which can be found on page 96. The management population reflects all junior and middle management and excludes senior leadership. FY 21/22 data reported here has been rebased to show progress against our target.

Business model

We offer own and vendor branded home improvement products and services to consumers and trade professionals across our over 1,900 stores, via our e-commerce channels and through our franchise and joint venture partners.

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

Our key resources

Our people and culture

82,000 engaged colleagues with the right skills to serve customers.

Our financial strength and scale

Over £13 billion of sales in eight countries; collective buying scale.

Our diverse and trusted retail banners

Distinct retail banners which address diverse customer needs, with different models, strong customer relationships and a clear positioning and plan.

Our market-leading positions

Our retail banners occupy number one or number two positions in all our key markets.

Our channels

Network of over 1,900 stores, strong e-commerce capabilities, as well as franchise and joint venture partners.

Our own exclusive brands

Our own exclusive brands (OEB) allow our banners to offer differentiated products in terms of design, functionality, sustainability and value for money.

Our supplier relationships

Close collaboration with our suppliers to bring the best home improvement products to our customers at great prices, while ensuring they meet our ethical standards.

Our industry-leading Responsible Business practices

Longstanding commitment to make a positive impact for communities, colleagues, customers and the planet.

How do we create value?

Our leading retail banners serve different customer needs within their markets. They offer product ranges and services that meet these distinct needs through their own commercial approach and business model. As trusted brands, they connect with customers and drive loyalty. They are powered by the scale, strength and expertise of the Kingfisher group.

Benefits brought by the Group include sourcing and buying, differentiated OEB, technology and partnerships capability, shared services and Centres of Excellence. The Group is underpinned by a common culture and values, including a shared commitment to responsible business practices.

Sourcing and buying, delivering lower cost prices across all products (OEB and brands).

Technology and partnerships, providing all our banners with access to the best technologies and complementary partnerships.

Shared services and lower-cost functions.

Centres of Excellence, to set strategy and targets, to share knowledge and best practices, to support implementation, and to help steer progress.

Culture and values, providing a framework for our core behaviours, values, and industry-leading responsible business practices.

Differentiated OEB, which are innovative and provide a key source of difference.

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

Who we create value for

Customers

Making better homes accessible for everyone; helping tradespeople to get their jobs done quickly and affordably.

Colleagues

Inclusive, rewarding work and careers, developing skills.

Communities and society

Operating as a responsible business, with strong community involvement.

Environment

Protecting and restoring natural resources, tackling climate change.

Shareholders

Growing the value of the company sustainably.

Suppliers

Sharing value in our supply chain.

Partners

Growing our business together with joint venture, franchise and marketplace partners.

People and culture

Our 82,000 colleagues are key to our success. We strive to be an inclusive employer, where every individual can fulfil their potential, be themselves and is given the opportunity to share their ideas.

During the year, we monitored the rising cost of living across our markets and have taken action to support colleagues in our stores and head offices. On colleague pay, for example, salary increases or one-off payments were awarded in the UK, France, Poland, Spain and Portugal, which focused largely on store colleagues. Additional support to help colleagues with the cost of living have included:

- Establishing a Colleague Support Fund in the UK in partnership with the Retail Trust to support colleagues experiencing financial difficulties.
- A partnership between Screwfix and the Hapi app, which provides colleagues with financial wellbeing advice.
- Colleague discounts on energy-saving products in Romania, Spain, Portugal and the UK to help reduce household bills.

Our People and Culture Plan, which launched in 2020, is a key enabler of our 'Powered by Kingfisher' strategy. Progress made in FY 22/23 includes:

- Further embedding our Group banner operating model, including new Centres of Excellence to support the launch of our marketplaces and improving our pro-customer proposition.
- Building in-house capabilities in key growth areas for the business.
- Increasing colleague engagement and delivering inclusion initiatives.
- Executing the first year of our Leadership Development Plan.

Delivering our People and Culture Plan to empower our people

1. Efficient operating model

In FY 22/23, we further embedded the Group banner operating model to ensure that our banner teams, who are closest to our customers, can make decisions in an agile way and continue to benefit from Group scale in areas including Offer & Sourcing and Technology.

We also completed the implementation of our technology operating model through the creation of banner technology teams, streamlined governance and establishing a new digital product team.

We have also adjusted the organisation of our head offices to realise further cost savings. The banners have also been exploring and implementing new retail operating models, including a low-cost operating model at Brico Dépôt France.

At Group, we have further improved the operation of the Centres of Excellence established in FY 21/22 in the areas of supply chain, store concepts, data, pro-customers and marketplace. They have been critical to our progress, for example, launching marketplace in B&Q and Brico Dépôt in Spain and Portugal, and in strengthening our trade customer proposition.

2. Capabilities to fuel growth

In FY 22/23, we further supported colleagues in developing their skills and fulfil their potential through more than 2.6 million hours of learning across our banners and Group functions, surpassing our skills for life target of five million learning hours by 2025.

We have also continued to invest in talent and capability in key growth areas. As part of our focus on creating new customer propositions, we have recruited deep functional expertise in areas including technology, e-commerce, our own exclusive brands (OEB), data and in growing our trade customer proposition. In our Technology function, we have strengthened our in-house capability in areas including software engineering, data, cloud computing and product.

To help us attract and retain colleagues in increasingly competitive markets, we have further strengthened our banner employer brands, with Brico Dépôt Romania certified as a 'top employer' by the Top Employers' Institute, and Screwfix winning the 'Employer Brand – National' award at the RAD employer brand awards in the UK.

We have continued to support youth employment, social mobility and learning for life, and in FY 22/23, there were more than 4,600 apprentices across Kingfisher. For example, Screwfix has over 700 apprentices enrolled in its in-house designed and externally accredited Level 2, 3 and 4 apprenticeships, with 81% of apprentices promoted into Assistant Manager and Branch Manager roles.

Our strong investment in learning is demonstrated by our colleague satisfaction score of 8.3 out of 10 for the question: 'Kingfisher enables me to learn and develop new skills'.

3. An agile, inclusive culture led by trust

Strong colleague engagement and an inclusive culture are essential to creating the environment for our teams to deliver for our customers. This year, we have focused on increasing agility, listening to our people and further implementing our Inclusion and Diversity (I&D) strategy.

We have tracked our progress on colleague engagement against the key metrics of our culture through both formal and informal mechanisms, including our formal listening tool through Workday Peakon, the Kingfisher Colleague Forum and works councils, our 16 affinity networks, our social channels and regular town hall meetings.

Overall, our colleague engagement levels have continued to be strong across the Group. In the all-colleague engagement survey held in FY 22/23, we heard from 83% of our colleagues (up 4% compared with FY 21/22), with colleagues sharing 317,000 comments (up 10% on last year). Our Employee Net Promoter Score (eNPS) of 54 is significantly ahead of the global retail benchmark (+16 points above the median), placing us in the top 5% of retailers. Our attrition levels and the time it takes to hire new colleagues are either in line with, or ahead of, industry norms.

For both the agility and trust metrics of our listening tool, our colleague satisfaction score is 8.5 (up from 8.2 in FY 21/22 for both measures).

Further progress has also been made in FY 22/23 to build an inclusive culture, ensuring that colleagues of all backgrounds feel valued at Kingfisher and feel they can truly be themselves at work.

For example, we established a new I&D Forum chaired by the Screwfix CEO, which brings together senior leaders and representatives from our affinity networks from across the Group to share best practices. In the UK, a colleague data collection campaign was also launched across B&Q, Screwfix and Kingfisher, which will help us analyse the inclusiveness of our HR policies and systems and identify where further action may be required to create a more inclusive culture.

In FY 22/23 we have begun tracking colleagues' perception of inclusion at Kingfisher, and have achieved a score of 8.2 out of 10 in response to the question: 'I feel valued as a person'.

We are working to increase diverse representation across our leadership team, and are on track to meet our goal of 40% of women in management roles by 2025. We remain focused on achieving our target of 35% of women in senior leadership roles.

4. Diverse and inspiring leaders

Our leaders have a huge role to play in the delivery of our strategy and our plans for growth.

In FY 22/23, we launched a new Leadership Development Plan to grow our current and future leaders through events that build connections across teams and stimulate curiosity, in addition to executive coaching and leadership evaluation tools. Focus areas for FY 22/23 include digital trends and inclusive leadership.

Equal opportunities

Kingfisher is committed to creating a workplace where everyone is treated with fairness, respect and dignity, irrespective of age, educational and professional background, diverse abilities, gender, gender re-assignment, marital status, race, ethnicity, religion and beliefs, and sexual orientation.

It is our policy that all colleagues are treated fairly. No colleague is to be treated less favourably or experience discrimination (unlawful or otherwise) on any grounds. Our policy applies to every part of employment, including recruitment and selection processes, opportunities for training, development and promotion, and terms and conditions of employment. Entry into and progression within the company is based solely on personal ability and competence to meet set job criteria. Our employment policies, practices and procedures promote accessibility for disabled people, providing reasonable adjustment where appropriate. Kingfisher continues to be a proud partner of a number of recognised forums across its geographies that champion diversity in all its forms.

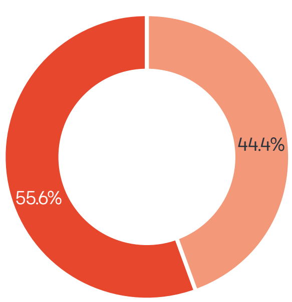
In line with the Lloyd's High Court judgement on Guaranteed Minimum Pension equalisation, the Kingfisher Pension Scheme has begun implementing a project to equalise the pensions of affected members.

Further information about our people can be found in the Risk section from page 51.

Board, senior management and employee diversity

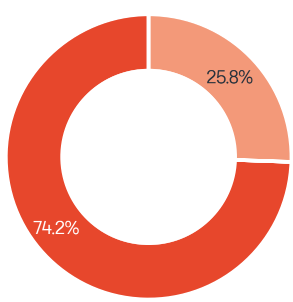
At 31 January 2023, the gender breakdown of colleagues and directors were as follows:

The Board[1]



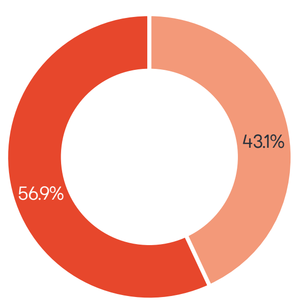
Female: 4
Male: 5

Senior leadership[1, 2, 3]



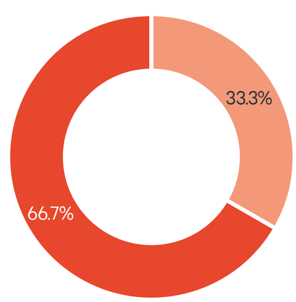
Female: 78
Male: 224

Total workforce[1, 3]



Female: 33,482
Male: 44,219

General Executive and their direct reports[1]



Female: 29
Male: 58

1. 2021/22 gender breakdown of colleagues and directors:
   - The Board: 4 female (50%). 4 male (50%).
   - Senior leadership: 76 female (25.2%). 225 male (74.8%).
   - Total workforce: 35,227 female (43.1%). 46,483 male (56.9%).
   - General Executive and their direct reports: 28 female (31.1%). 62 male (68.9%).
2. As disclosed on page 24, we have set a target to increase women in senior leadership to 35% by 2025. Senior leadership under this target is defined as those who are eligible for our Performance Share Plan.
3. Turkey joint venture not included.

Stakeholder engagement and decision-making

Section 172(1) Statement

Considering our impact on our stakeholders is something the Board and the company spends time on wherever appropriate. The Board fully recognises the importance of all our stakeholders in the successful operation of the business. Remaining mindful of our Companies Act 2006 (the 'Act') section 172 (1) responsibilities and the needs and concerns of our stakeholders is an intrinsic part of our decision-making processes.

Ahead of matters being put to the Board for consideration, the business often carries out significant engagement to support the directors to assess and ensure that all stakeholder views are considered fairly. This engagement may be formal or informal and is often governed by policies, control frameworks, regulation, and legislation.

Before reaching a decision, the Board considers how proposed actions and behaviours of the company may affect its key stakeholders and the environment, as well as the company's reputation and long-term success. Kingfisher's actions and behaviours are governed by a robust governance framework, including Group policies and the Kingfisher Code of Conduct.

We have set out some examples below of how the directors have had regard to the matters in section 172(1)(a)–(f) when discharging their section 172 duties and the effect on certain decisions taken by them in 2022/23.

Pages 17 to 22 set out further consideration of each of our key stakeholders and examples of how they have been engaged during the year.

Page 67 sets out the Board's key activities during the year and the section 172 matters considered in pursuing these activities.

Key considerations

1. **Long-term impact**
2. **Interests of colleagues**
3. **Fostering business relationships**
4. **Impact on community and environment**
5. **Maintaining reputation for high standards of business conduct**
6. **Acting fairly between members**

Shareholder returns – capital allocation

1 6

In May 2022, the Board agreed a second £300 million share buyback programme, having considered the Group's financial priorities and capital allocation policy in the context of 'Powered by Kingfisher'.

The Board assessed future investment opportunities, financial resilience and the sustainable growth of dividends in determining whether there was excess capital to be distributed to shareholders, being mindful of the need to promote the success of the company for the benefit of all stakeholders. This included financial scenario analysis and consideration of the health of the Group's finances, trading outlook and three-year plan, as well as available funding facilities and anticipated impact on the Group's credit metrics.

The directors considered the macro-environment and market sentiment, noting that the first share buyback programme had been well received by stakeholders. The directors weighed up investment and growth opportunities to ensure the company had sufficient liquidity and that funds were not needed elsewhere across the business. They also considered the impact of the share buyback on the company's ability to continue to meet its obligations to the defined benefit pension scheme and its members.

In considering the merits of share buybacks over special dividends, we concluded that a second programme would appropriately signal the Board's confidence in long-term growth and cash generation opportunities. The Board will continue to periodically evaluate returning surplus capital to shareholders via a share buyback programme or special dividends in line with its capital allocation policy.

Climate change pillar – net zero target

1 2 3 4 5 6

In June 2022, the Board agreed to adopt a new net zero greenhouse gas emissions target for our operations (scope 1 and 2) by the end of FY 40/41. Supportive of our ambition to be a responsible industry leader, the directors recognised this would further deliver Kingfisher's commitment to tackle climate change, whilst also meeting increasing stakeholder expectations around greenhouse gas emissions, and keeping pace with regulation. However, the Board also considered the investment and business impacts including technological challenges, and the ability to secure long-term access to zero carbon electricity.

The Board noted that each banner will be supported in the delivery of the target in line with our broader Responsible Business priorities and endorsed the announcement of the target in July 2022, accompanied by an Investor Teach-in event to further engage in this area.

Supported by the Group Climate Committee and Responsible Business Committee, the Board will continue to monitor Kingfisher's approach to managing its climate-related risks and meeting these targets, including the evolving costs to ensure investment remains aligned to the Group's purpose and long-term success.

This section details how we have engaged with our key stakeholders during the year as well as how this engagement may have influenced the Board's discussions and decision-making.

The Board and its Committees monitor the effectiveness of engagement with stakeholders through various methods, including the monthly review of customer insight data, consideration of colleague engagement outputs gathered via a continuous listening tool, and through the twice-yearly Kingfisher Colleague Forum (KCF).

The Board and Committees annual evaluation process gives directors the opportunity to comment on the engagement mechanisms in place with our different stakeholder groups and invites them to make recommendations for improvement.

Through the adoption of our Code of Conduct we ensure high standards of business conduct for all our stakeholders and seek to promote a culture where transparency and fairness are the norm. The Board has delegated authority to the Responsible Business Committee for oversight of our Responsible Business governance.

More detail can be found in the Responsible Business report on pages 71 to 72.

Customers

Who they are	Anyone who visits our stores or online platforms.
Why Kingfisher engages	Customer safety and satisfaction are pivotal to the success of our business. The needs, behaviours and feedback of our customers are collected, assessed, and used to develop our long-term strategy.

How the Board engages

- Through the CEO and the commercial dashboard, the Board is regularly updated on customer opinion, behaviour and feedback, monthly Net Promoter Scores (NPS) and customer insight, which inform our commercial and investment decisions and help us identify key revenue drivers. The Board receives the commercial dashboard on a monthly basis.
- The commercial dashboard also consolidates a broad range of metrics including price indices, market trends, competitor activity and customer insight to enable the Board to track and benchmark progress in key business areas. The Group Customer and Market Intelligence Director also presents to the Board twice a year, which in 2022 included the impacts of the current economic environment and the market outlook, supported by external consultants.
- Using the online NPS results and analysis of customer comments, we have monitored the positive impact of actions implemented at a Group and banner level to improve the customer experience on our websites.
- The Board received supplementary analysis at a Group and banner level to better understand customer attraction and retention rates.
- The Board reviewed cyber threats facing the company and its customers and other stakeholders. The Board agreed actions to keep under review cyber threats facing the Group, including commissioning independent assurance to monitor progress against our strategy.
- The Board has delegated responsibility to the Responsible Business Committee for primary governance of Responsible Business practices. This includes the setting of targets for approval by the Board, and the progress of performance against the Responsible Business objectives.

More detail can be found in the Responsible Business section on pages 23 to 38 and on pages 71 to 72 of the Responsible Business Committee report.

How the business engages

- We collect and consider customer research to understand the evolving needs, attitudes, and behaviours of our customers.
- We engage in continuous customer surveys to monitor post-purchase or post-interaction views on all our touch points and the key drivers of customer satisfaction to improve their experiences.
- We support continuous tracking of customer brand perceptions over time against our competitors on a range of issues, including sustainability.
- We commission ad hoc research to gather feedback before and just after launching new products, services, or store concepts.
- We receive regular insight updates, and this year monitored consumer sentiment through quarterly 'Home Improver Pulse' surveys to get insights on home improvement activities and spend.
- We regularly monitor price indices versus our competitors in key categories to provide visibility of customer price perception. Our 'price reality' and 'price perception' monitoring gives us the agility to adjust our pricing strategies throughout the year.
- We continue to transform our ranges using our industry-leading Sustainable Home Product (SHP) guidelines and have introduced services that together help customers assess and improve the energy efficiency of their homes.

Outcomes and impact on Board decision-making

- Around 1,450,000 customer surveys collected for our NPS across our markets.
- 47% of Group sales were from products that create a more sustainable home.
- The Board receive ongoing customer insights identifying key areas of opportunity and how to maximise customer experience.
- 25,000 customers surveyed to monitor consumer sentiment, impact of inflation and home improvement activity.
- Since the start of 2022, NPS scores have improved and have been good overall. The Board requested, to have a benchmark for our NPS with competitors, to better understand our NPS methodologies.

Stakeholder engagement and decision-making continued

Colleagues

Who they are	Colleagues of Kingfisher plc and all its subsidiaries.
Why Kingfisher engages	We believe an effective people strategy and strong culture are essential to the successful delivery of our strategy. Being able to attract, retain, and develop diverse talent is one important part of fostering a stronger, more inclusive culture, as is incorporating the views of colleagues into decisions and being able to accurately assess their impact.

How the Board engages

- The Board regularly visits our offices and stores, engaging with a broad range of colleagues across the business to support the assessment of behaviour and culture.
  - In May 2022, the Board visited Castorama and Brico Dépôt stores and offices in Lille, France. Directors had the opportunity to meet leadership teams, senior management and store colleagues.
  - In October 2022, the Board visited Screwfix distribution centres and stores in Trentham and Stafford, UK where the directors met members of the Screwfix and B&Q leadership teams, senior management and store colleagues.
- The Board also received briefings from the CEO, Chief People Officer (CPO), and General Counsel on important matters affecting the workforce, including:
  - whistleblowing reports;
  - investment in training and development of our people;
  - results of the annual colleague engagement and Pulse surveys using the Workday Peakon platform; and
  - dialogue with, and feedback from, the Kingfisher Pension Trustees.
- The Board and Responsible Business Committee monitor and assess the company's culture and the implementation of the vision and values set by the 'Powered by Kingfisher' and Responsible Business strategies. Through the updates presented in both forums, the directors have collectively advised and helped to shape our People and Culture Plans.
- The Board monitored action taken to build and track culture across Kingfisher. This included monitoring results from the colleague listening and engagement tool which has given the Board further insight on the workforce voice across the Group.
- Each Responsible Business Committee meeting considers the impact of responsible business issues on our key stakeholders including colleagues, and discusses the Colleague pillar of the Responsible Business strategy at least annually.
- Through the Kingfisher Colleague Forum (KCF), the joint forum of management and employee representatives. Our Senior Independent Director, Catherine Bradley, our CEO and our CPO engage with colleagues on transnational issues and consult on major decisions. The Board reviews details of each meeting and is delighted that the KCF continues to be a strong engagement channel. Alongside the colleague listening and engagement tool it provides an opportunity for the views of the workforce to be clearly heard by executive leadership and the Board.

How the business engages

- We communicate regularly through a variety of internal channels and social communication tools. We also engage interactively via virtual town halls and Q&As.
- Through the Responsible Business network meetings, we engage monthly to receive updates on the four key priorities of our Responsible Business strategy.
- We have a variety of listening groups, such as retail banner colleague forums, and affinity networks.
- Colleagues also receive frequent performance check-ins and development meetings.

More detail can be found in the People and Culture section on pages 14 to 15.

- We continue to hold ongoing dialogue with unions where appropriate.
- Senior colleagues receive training and development, which in 2022 supported our Inclusion and Diversity action plans.
- Ongoing usage of a specialist tool by our recruiters as well as line manager training are helping to minimise the impact of bias and ensure a fair recruitment process.

Outcomes and impact on Board decision-making

- 83% participation in our 2022 annual colleague engagement survey (c. 63,600 colleagues).
- In light of the rising cost of living, the Board reviewed workforce pay proposals at the September 2022 and January 2023 Remuneration Committee.
- Employee NPS was 54, which is in the top 5% of global retailers.
- 2,642,927 hours of learning across our banners and Group functions.

Investors

Who they are Equity shareholders and providers of debt funding that contribute capital to our business.

Why Kingfisher engages Our investors rely on us to protect and manage their capital in a responsible and sustainable way while generating long-term value. Investors and potential investors need a clear understanding of our business, our strategy, our performance against our strategic objectives, our growth potential, and the risks and uncertainties we are managing.

How the Board engages

- The Board takes ultimate responsibility for how we plan to create sustainable long-term value for investors and this engagement takes place in a frequent and constructive manner.
- The CEO, the CFO, and the Chair engage regularly with investors. Other directors including the Chair of the Remuneration Committee and Senior Independent Director also met with investors in 2022.
- When making strategic decisions, the Board draws on the feedback from its engagement or holds targeted consultation to analyse how its choices will impact the delivery of long-term shareholder value.
- In July 2022, we hosted a Teach-in event for investors and analysts, focused on two of our 'Powered by Kingfisher' pillars: E-commerce & Technology and Responsible Business. The event was attended by both executive and non-executive directors.
- The Board chooses to engage with investors and our brokers on a broad range of shareholder returns and capital allocation decisions, including working capital requirements, capital investment opportunities, and matters such as ESG, appetite for mergers and acquisitions (M&A), the Dividend Policy and share repurchase programmes.
- The Chair of the Remuneration Committee also consults with shareholders on ESG and executive remuneration matters. In the second half of 2021/22 and in the first quarter of 2022/23 the Chair of the Remuneration Committee consulted with shareholders on the proposed Remuneration Policy as well as the targets for 2022 Performance Share Plan (PSP) ahead of their adoption at our 2022 Annual General Meeting (AGM).
- In May 2022, the Board approved a second £300 million share buyback programme. Page 16 sets out how the directors had regard to their section 172 duties in making this decision.

How the business engages

- The Board recognises the AGM as a significant opportunity to engage with retail shareholders. In 2022, in-person AGMs resumed following two years of virtual meetings. The business also engages through key disclosures, including:
  - annual report and accounts;
  - market disclosures, including results announcements, trading updates and ad hoc updates; and
  - investor and analyst presentations, roadshows, Teach-in events attended by the CEO, the CFO, and the Chair, as appropriate.
- We do not take any decisions or actions that would provide any shareholder or group of shareholders with any unfair advantage or position compared to the shareholders as a whole.

Outcomes and impact on Board decision-making

- In July 2002, 50 investors and sellside analysts attended the investor Teach-in event alongside seven members of executive leadership, the Chair and the Senior Independent Director.
- During the year, the Kingfisher Investor Relations team had over 450 interactions with institutional investors and sellside analysts on general business topics. They also had interactions with over 100 investors and analysts covering ESG topics.
- We took steps to improve our understanding of climate-related financial risks and opportunities in line with recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We see our TCFD statement as an investor driven disclosure to be used by investors to guide their conversations with us on climate risk. See pages 27 to 38 for more detail.
- Approval of the Remuneration Policy and the plan rules of the PSP at our 2022 AGM.

Stakeholder engagement and decision-making continued

Suppliers

Who they are	Organisations we work with to deliver products and services to our customers.
Why Kingfisher engages	The trusted partnerships we have with our suppliers are critical to meeting customer needs and instrumental in delivering our Responsible Business strategy.

How the Board engages

- Where appropriate, we consider the impact on our suppliers when making key strategic decisions relating to product ranges or supply and logistics.
- The Board does not regularly engage directly with our suppliers but receive frequent reporting from the parts of the company that work with them.
- Supplier surveys are conducted on an annual basis to capture the sentiment among own exclusive brands (OEB) and branded suppliers. The output from these surveys is tabled to the Board to allow the directors to understand the quality of the relationships with vendors including to key topics such as tendering, payment performance, communication and logistics.
- In March 2023, the Board reviewed insights on OEB and branded suppliers' sentiment to the company and their experiences, gathered via the 2022/23 Supplier Survey. Through their consideration, directors have helped shape the mechanisms utilised to gather feedback.
- Annual review of the Modern Slavery Transparency Statement and progress of implementation of the Modern Slavery Action Plan (Action Plan) across key areas of the business and supply chain. This Action Plan covers diligence, ethical audit, supplier and colleague engagement, training, policy and reporting. The Group continues to strengthen its monitoring of human rights risks across the business.
- The Audit Committee has a forward agenda that ensures it receives updates from each banner CEO and Group function head including information on suppliers and supply chain resiliency. The Committee's report is on pages 73 to 76.
- The Responsible Business Committee also receives updates regarding the delivery of the Responsible Business strategic objectives. The Committee's report is on pages 71 and 72.
- In January 2023, the Audit Committee reviewed a report on our supply chain risks and mitigating actions.

How the business engages

- Engaging suppliers with our Code of Conduct and Responsible Business strategy.
- Conducting supplier ethical risk assessments and audits that look at:
  - our factory base, by requiring Sedex or Amfori BSCI registration (online supplier data exchanges) and ethical audits of high-risk production sites, for our 'goods for resale' (GFR) suppliers;
  - our supplier carbon footprint, through the M2030 Low Carbon Manufacturing Programme; and
  - our sustainability ratings, through the EcoVadis sustainability ratings platform, for contract spend with our 'goods not for resale' (GNFR) suppliers above £75,000.
- Visiting factories and sites.
- Conducting risk-based anti-bribery and corruption due diligence.
- Keeping under review our approach to human rights.
- In October 2022, we conducted a survey of c. 1,810 OEB and branded GFR suppliers to gather feedback and identify key areas for improvement at a banner, regional and buying office level. Improvement action plans will be put in place to address areas identified.
- Organising supplier conferences on topics of significance.
- In November 2022, we held an OEB vendor conference in Lille, France. Attended by our 100 largest vendors in-person and online with access available to all of our OEB vendors globally.
- Reporting our payment practices under the UK Government's Duty to Report Requirements.

Outcomes and impact on Board decision-making

- We received 1,150 replies to the 2022/23 Supplier Survey; 82% of all responses were positive.
- Further details and performance data are set out in our Modern Slavery Act Transparency Statement on our website, www.kingfisher.com
- Successful OEB vendor conference held in Lille, France in November 2022.
- Board approval of Modern Slavery Transparency Statement.

Communities and non-governmental organisations (NGOs)

Who they are

The communities and people who live where we work, and where we source from, as well as the NGOs we work alongside.

Why Kingfisher engages

It is important to us that we meet growing expectations on companies to undertake strong environmental, social and governance action and are committed to having a positive impact on the lives of our customers, colleagues and communities.

How the Board engages

- The Board recognises increasing expectations around ESG and the importance of building momentum around our Responsible Business and Community strategies.
- In 2022, the Board received presentations regarding initiatives within our banners and experienced some first hand, including the Screwfix power tool refurbishment site in Stafford, UK.
- In 2022, the Board was also updated on our partnership with the Rainforest Alliance Forest Allies supporting our Forest Positive strategy and our climate change carbon reduction activities.
- Through updates presented to the Board and its Responsible Business Committee, the directors regularly review the progress of our community programmes and environmental work.
- The Board is kept abreast of emerging issues such as climate risk and updated reporting obligations, on an ad hoc basis.

How the business engages

- We form strategic partnerships and fund charitable organisations active in the environment and on housing issues aligned with our purpose and Responsible Business priorities, including:
  - partnership with Shelter, a UK-based housing charity, to fund a network of DIY Skills Advisers and provide advice, and campaigns to improve the quality of UK housing. Fondation Abbé Pierre supports tackling homelessness in France;
  - each banner has a charitable foundation established to help fix bad housing in their respective markets; and
  - we are a founding member of the Rainforest Alliance Forest Allies programme; we fund and support leading green NGOs and not-for-profit initiatives including Green Alliance, Aldersgate Group, BioRegional, UN Race to Zero Breakthroughs: Retail campaign and the Forest Stewardship Council.
- We support organisations to:
  - help us develop our inclusivity agenda including Business Disability Forum and Stonewall;
  - collaborate to tackle modern slavery including partnering with the Slave Free Alliance;
  - play a constructive and active role in the implementation of Brexit and the future of UK and European relationships including supporting the Centre for European Reform; and
  - we also respond to emerging situations to provide disaster relief via NGOs including the Red Cross and the United Nations High Commissioner for Refugees for the Turkey/Syria earthquakes. Our banner foundations mobilised during the Ukraine conflict and donated £500k comprising cash and products.

Outcomes and impact on Board decision-making

- Collaborating with retail peers through the UN Race to Zero, and the British Retail Consortium's Climate Action Roadmap, to help tackle climate change across the retail sector and to collectively drive climate actions.
- Adoption of ESG targets in the new Kingfisher Performance Share Plan.
- Further delivering against our Forest Positive commitment through forest projects. More detail can be found in the Responsible Business section on pages 23 to 26.
- Through updates presented to the Board and Responsible Business Committee, the directors have helped shape our plans for delivery and set targets in this area. For example, approval of a net zero emissions target by the end of FY 40/41. Page 16 sets out how directors had regard to their section 172 duties in making this decision.

Stakeholder engagement and decision-making continued

Regulators and government

Who they are	Bodies that supervise our industry and business activities.
Why Kingfisher engages	We value the trust of our stakeholders to fully realise our purpose, provide employment opportunities, and contribute to the economic prosperity of the places where our people live and work.

How the Board engages

- Twice a year a report on material political issues impacting Kingfisher across its geographies is shared with the Board. These reports include monitoring actions and next steps.
- The Board receives updates on key governance and regulatory changes that may impact the company and responds to policy consultations and formal information requests, as required.
- When needed the Board and executive leadership engage with regulators, government stakeholders, and political representatives both directly and via industry associations and other partners.

How the business engages

- We directly engage with the governments and regulators in each of our key markets as well as with the EU.
- We also engage indirectly through:
  - retail trade associations, including the British Retail Consortium, the EU DIY Retail Association, and the French DIY Retail Association; and
  - business associations such as the CBI (UK), AFEP (France) and Lewiatan (Poland).
- In 2022, we have engaged on key policies, including UK business rates reform to achieve parity with online only retailers; the cost of energy to enhance support for domestic energy efficiency; and, the need to promote careers in the trade. We have also been involved in supporting a range of positive environmental measures in line with our Responsible Business commitments.
- As a matter of course, we attend government meetings and events, respond to consultations, and participate in parliamentary inquiries.
- We also regularly engages with regulators, including in the UK, the Registrar of Companies, the Financial Reporting Council, the London Stock Exchange, the Financial Conduct Authority, and the Information Commissioner's Office on matters of statutory or regulatory compliance.

Outcomes and impact on Board decision-making

- Progress made on issues, including:
  - certain reform of business rates in the UK and the establishment of the Digital Markets Act in the EU;
  - further government measures in a number of our markets to support home energy efficiency; and
  - the ban on peat in horticulture in the UK and updates to the EU's Deforestation Regulation.
- Ongoing Board monitoring of macroeconomic and geopolitical forces on performance.

Responsible Business

Integrating responsible business into everyday operations

For over three decades, Kingfisher has been prioritising responsible business practices. As a key part of our 'Powered by Kingfisher' strategy, we are working to integrate responsible business into everything we do.

Responsible Business governance

Our Responsible Business Committee (RBC), a Committee of the Board, is chaired by a non-executive director and oversees the delivery of our Responsible Business strategy. It provides advice and assurance to the Group Executive and the Board on all matters relating to responsible business practices, and monitors performance against our priorities.

See page 71 for the Responsible Business Committee report.

The Chair of the RBC reports on its activities to the Board and the Board and Committee members also review Responsible Business KPIs on a quarterly basis as part of their governance duties. This year we integrated responsible business measures into the Kingfisher Performance Share Plan for our senior leadership team.

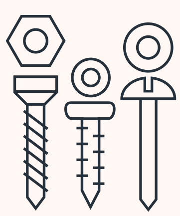
For more detail see pages 71 to 72.

The governance of climate-related risks and opportunities is detailed on page 27 of our Task Force on Climate-related Financial Disclosures (TCFD).

Our four Responsible Business priorities

We have four Responsible Business priorities. These focus on the issues where we can use our size and scale to bring about positive change for our customers, colleagues, communities and the planet. Now into the third year of delivery, we have continued to make progress in all four areas.

We will publish full details of this year's progress in our dedicated Responsible Business Report in June 2023.



Colleagues

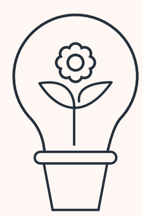
We will be a more inclusive company.

Our commitment
We will be a more inclusive company by breaking down barriers to employment and progression, and by building skills for life.

Planet

We will be Forest Positive and help tackle climate change.

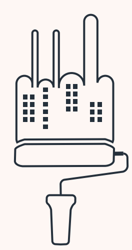
Our commitment
We will help tackle climate change by reducing carbon emissions from our business, products and supply chains; and by creating more forests than we use. We will become Forest Positive by investing in forest projects.



Customers

We will help make greener, healthier homes affordable.

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



Community

We will fight to fix bad housing.

Our commitment
We will donate our products, expertise and time to help people whose housing needs are greatest in the communities we serve.

See page 24 for details on our progress against the targets for our four key priorities.

Responsible Business continued

Colleagues

Our targets

- Improve gender balance to 35% women in senior leadership and 40% women in management by FY 25/26.
- Provide five million hours of skills for life learning by FY 25/26.

Our progress

- 25.8% of senior leaders[1] and 38.9% of managers are women, compared with 25.2% and 37.9%[2] respectively last year.
- 33.3% of our Group Executive and their direct reports are women, compared with 31.1% last year.
- Colleagues completed over 2.6 million hours of skills for life learning, bringing the total number of hours completed since FY 19/20 to 6.6 million – reaching our target ahead of schedule.
- Each retail banner and Group function has an Inclusivity Action Plan and Inclusion and Diversity (I&D) Affinity Groups linked to Kingfisher's I&D Advisory Forum.
- Our I&D Advisory Forum acts as an ideas incubator and amplifier to accelerate inclusion. Chaired by Screwfix CEO, the Forum brings together colleagues from Group functions and every retail banner.

Engagement and inclusivity are part of our People and Culture Plan discussed on pages 14 and 15.

Planet

Our targets

- 100% wood and paper responsibly sourced for our products and catalogues by FY 25/26.
- Become Forest Positive by FY 25/26.
- Achieve our Science Based Targets initiative (SBTi) approved carbon reduction target (consistent with reductions required to keep global warming to 1.5°C) by FY 25/26.
- Reach net zero emissions for our operations (scope 1 and 2) by the end of FY 40/41.

Our progress

- 94.5% of the wood and paper used in our products was responsibly sourced (FY 21/22: 87.2%) and all catalogue paper.
- As a founding member of the Rainforest Alliance Forest Allies, we continue to invest in six forest projects in key tropical sourcing regions. These cover over 300,000 hectares and support the livelihoods of 7,400 people.
- B&Q, Castorama France, Castorama Poland and Screwfix established local partnerships to restore, create and protect native woodland and forests.
- Continued progress against our science-based targets and have reduced operational emissions (scope 1 and 2) by 52.7% since 2016/17 exceeding our target of 38% reduction by FY 25/26.[3]
- Announced a new net zero commitment for our operational emissions and published a five-point roadmap, setting out how we will achieve our new goal.

Customers

Our targets

- 60% of Group sales to be from our Sustainable Home Products (SHP), including 70% of sales for our Own Exclusive Brand products (OEB) by FY 25/26.

Our progress

- 46.8% of total Group sales came from products that help create greener, healthier homes (FY 21/22: 44.1%), with energy-saving and energy efficiency products in particularly high demand.
- SHP now account for 56.4% of OEB sales (FY 21/22: 54.7%) and we have started a project to better understand the footprint of our OEB products (scope 3 emissions).
- Expanded our range of energy-saving products and services to better support customers to improve the energy efficiency of their homes.
- Improved sustainability performance across several ranges including: fully phasing out peat at B&Q (our Group's biggest seller of compost by volume); introducing Naturéa, a biobased paint; replacing virgin plastic with recycled plastic or more planet-friendly materials in several OEB product ranges and product packaging.

Community

Our targets

- Help more than two million people whose housing needs are greatest by FY 25/26.

Our progress

- Our projects have reached over 470,000 people this year, which brought our total to 2.1 million people helped since FY 16/17, achieving our target three years ahead of schedule.
- Charitable foundations now established in all our banners. Our Foundation in Iberia launched in March, supporting projects linked to housing or helping refugees.
- £5.4 million community investment in the year with an additional £2.8 million raised by our colleagues and customers.
- Continued to support people displaced by the war in Ukraine through our partnership with the Red Cross, the work of our Foundations particularly in Poland and Romania, and through a new partnership between B&Q and the Refugee Council.
- Continued our partnerships with national charities, Shelter and Macmillan Cancer Support in the UK, Fondation Abbé Pierre and Compagnons Bâtisseurs in France, and Habitat for Humanity in Romania and Poland.

1. Our senior managers are those included in our Performance Share Plan (around top 300 positions, see pages 77 to 100). We also participate in the FTSE Women Leaders Review benchmark which uses a data set based on a smaller selection of leadership positions. Based on the benchmark data set we reached 33.3% women in senior leadership.
2. We previously reported two sets of management data, one in our Directors' remuneration report and the other in the People and Responsible Business sections. This year, we have aligned this data and are now reporting progress against the target set out in the Directors' remuneration report (to increase women in management to 40% by FY 25/26) which can be found on page 77. The management population reflects all junior and middle management and excludes senior leadership. FY 21/22 data reported here has been rebased to show progress against our target.
3. Scope 3 emissions will be published in our Responsible Business Report in June 2023.

Our Responsible Business fundamentals

Our priorities are underpinned by our commitment to our Responsible Business fundamentals. These are the issues and impacts we measure and manage to ensure we continue to operate responsibly across our business.

For each fundamental we have a clear Group policy that allows us to work effectively across our functions and banners to continually improve performance.

Responsible sourcing and human rights

We respect, protect and promote the human rights of our colleagues, workers across our supply chain and others affected by our business activities.

Our Human Rights Policy aligns with international agreements and guidelines, including the United Nations Guiding Principles on Business and Human Rights, the International Bill of Human Rights (which includes the Universal Declaration of Human Rights), the UN Global Compact, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Children's Rights and Business Principles and UN conventions on the elimination of discrimination.

We work with our suppliers to raise standards on the environment, labour practices, and human rights in our supply chain. Our due diligence includes ethical risk assessment processes, ethical audits, supplier training and engagement, and collaboration with human rights experts such as Slave Free Alliance, a victim-focused social enterprise.

Further details are available in our Modern Slavery Act Transparency Statement (www.kingfisher.com/Modern-Slavery).

We do not tolerate any form of modern slavery in our business or supply chains. Our Modern Slavery Working Group, chaired by our Human Rights Manager, meets three times a year to oversee due diligence and disclosure on human rights and modern slavery. It brings together stakeholders from across the business who are working on ethical sourcing issues. Its action plan includes internal training, supplier training, supplier ethical risk assessment, ethical audit, supplier and colleague engagement, policy and reporting.

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

Health and safety

We believe every colleague is entitled to a safe working environment. Our Group Safety and Compliance Officer oversees our approach and is supported by Senior Management Safety Committees in each retail banner and a network of safety professionals. Kingfisher Safety Network meetings and training sessions are held twice a year.

A Health & Safety dashboard summarises performance at each retail banner. This data is reviewed quarterly by the Group Executive and the Board and is published annually in our Responsible Business Report.

We began a project to update our safety software and reporting tool in FY 22/23 to improve how we record and report accidents, illness and near-miss incidents across all banners and functions. The software will be rolled out in Q2 2023.

Restoring a tree-less landscape with the Woodland Trust

B&Q and Screwfix have launched a major new partnership with the Woodland Trust, the UK's largest woodland conservation charity.

The partnership will support the creation of new native woodland at Snaizeholme in the Yorkshire Dales, which is currently a tree-less valley. The aim is to capture carbon and help to reduce flood risk in surrounding areas, as well as creating a haven for wildlife. The project will also include work to restore 250 acres of upland peat bog – a vital and unique natural habitat and carbon sink. The Woodland Trust's vision for Snaizeholme is to create a vibrant mosaic of native woodland, with extensive habitat restoration across peat moorland, acid grassland, limestone pavement and riverside meadows, which will become a Yorkshire beacon for the bid to support nature recovery and tackle climate change.

The project is part of our Forest Positive commitment and supports the Woodland Trust's ambitious plan to establish England's largest new native woodland as part of the Northern Forest.

Waste and chemicals

We are committed to achieving zero waste to landfill and increasing recycling. In the UK and France, these policy commitments are integrated into the contracts with waste management partners, and we regularly review their progress. We are also working to further reduce packaging waste.

While we strictly comply with all applicable regulations related to chemicals, we have identified some chemicals that we consider to be less sustainable and are starting to phase these out of our products. In FY 22/23 we updated our chemicals roadmap to ensure our approach will align with significant regulatory changes expected in the EU.

A full update and performance data will be published in the Responsible Business Report in June 2023.

Responsible Business continued

Ethical conduct

Our Code of Conduct summarises our approach to doing business and the ethical standards we expect. It promotes a culture of transparency, honesty and fairness.

Read more at www.kingfisher.com/en/about-us/company-policies

The Code applies to all Kingfisher colleagues and third parties. We have supporting policies and an online approval and reporting procedure for gifts and hospitality and conflicts of interest, and a policy on competition law.

All colleagues are required to complete annual training on our Code of Conduct. This covers the key principles of the Code and how to raise concerns. Colleagues working in sensitive areas of the business or in higher-risk roles also completed additional training on fair competition and Market Abuse Regulation.

Our Group Ethics and Compliance Committee is chaired by our CFO and oversees compliance, identifies priorities, and reviews compliance reports and investigations during its quarterly meetings. Local Ethics and Compliance Committees in each of our banners provide ongoing support and insight.

We use a third-party due diligence tool to support our processes in areas such as anti-bribery and corruption, data protection, sanctions and conflict of interest. We operate a confidential whistleblowing hotline. The Board and Audit Committee receive regular updates about whistleblowing reports as well as the outcome of sensitive internal investigations.

For more information see page 75 of the Audit Committee report.

All suppliers must comply with our Code of Conduct and we embed its requirements into our procurement processes and supplier contracts. Potential new suppliers must factor in our Code of Conduct and ethical requirements.

Our anti-bribery and corruption policies and procedures, and our approach to data protection and cyber security are explained in the Risk section on pages 51 to 58.

ESG disclosure

We disclose our performance on ESG issues through several external benchmarks including CDP (see page 38) and the Workforce Disclosure Initiative (WDI). We align our reporting to the Global Reporting Initiative (GRI), Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB) standards for Multiline and Speciality Retailers and Distributors.

For more information visit www.kingfisher.com/responsiblebusiness

Our response to the Task Force on Climate-related Financial Disclosures

Climate change is one of the greatest risks society faces and its impacts will be felt by businesses over the short, medium and long term. In this TCFD statement, we provide our material climate-related financial disclosures, as required by current FCA Listing Rules.

Within our FCA compliance statement, found alongside our TCFD index on pages 37 and 38, we describe which TCFD-aligned disclosures we have not yet been able to make.

Key areas of progress in FY 22/23:

- **Governance:** We established our Group Climate Committee, chaired by our Chief Executive Officer, to agree and monitor the company's approach to meeting its emission reduction commitments and assessing climate-related risks and opportunities.
- **Strategy:** We announced a net zero commitment for our operational (scope 1 and 2) carbon emissions and published our five-point transition plan, setting out how we will achieve our new goal. We launched a range of energy-saving services and expanded our energy-saving product ranges to help customers reduce their household energy bills, supporting carbon reduction efforts.
- **Risk management:** We undertook detailed, quantitative analysis to understand the financial impacts of climate change under a range of scenarios. This focused on risks associated with carbon pricing, disruption to our operations from physical climate hazards, and the future availability of key species of wood for our product ranges.
- **Metrics and targets:** We tied our new Performance Share Plan, granted to members of our senior leadership team, to progress on our operational (scope 1 and 2) emissions targets. We made continued progress against our 2025/26 targets by reducing scope 1 and 2 emissions by 52.7% in FY 22/23 (vs 2016/17), in addition to reducing our FY 21/22 scope 3 emissions by 19.7% per £million turnover (versus 2017/18).

Governance

Board-level oversight of climate-related risks and opportunities [TCFD Governance (a)]

The governance of climate-related risks and opportunities is integrated into our overarching Kingfisher governance framework. A visual representation of our governance framework is provided in the Corporate governance report on page 62.

Our **Board of Directors** is our highest governing body and assesses the management of principal risks, including climate change, and reviews our Responsible Business KPIs each quarter. In 2022/23, the Board of Directors reviewed and approved management's proposal for a scope 1 and 2 net zero target, progress against which will be communicated to the Board on an annual basis.

Our **CEO** is accountable for energy and climate change, with climate-related responsibilities sitting within various Board and management committees:

- Our **Group Executive** is responsible for identifying, assessing and managing the principal risks, including climate change, and for reviewing and recommending to the Board on an ongoing basis key climate-related commitments proposed by management (e.g. our scope 1 and 2 net zero commitment and investment plan).
- Our **Responsible Business Committee** (RBC), a committee of the Board, is chaired by a non-executive director and provides advice and assurance to the Group Executive on all matters relating to responsible business practices (including climate change). The RBC met twice in 2022 and its report is on pages 71 and 72. Specific climate-related issues discussed by the RBC in 2022 included customer support for energy efficiency measures, and our scope 1 and 2 net zero commitment.
- Our **Group Climate Committee**, chaired by our Chief Executive Officer, was established in 2022. It meets quarterly with relevant management to agree and monitor the company's approach to meeting its climate commitments and assessing climate-related risks and opportunities. It provides an update to the RBC on the proceedings of each meeting, including on key decisions and actions.
- Our **Group Investment Committee** is directly accountable for all capital and revenue expenditure above the threshold reserved for approval at the banner or Group function level. Energy-related capital investments, which are fully aligned with our scope 1 and 2 emissions reduction targets, are a standing agenda item at meetings.
- Our **Audit Committee** receives updates from management on Kingfisher's compliance with changing sustainability-related reporting requirements, including our TCFD disclosures.

Additionally, banner boards consider climate-related issues and are responsible for implementing the energy-related capital investments approved by GIC, and for delivering progress against our scope 1 and 2 emissions reduction commitments.

Information on how our Board engages with stakeholders including in relation to climate change is included in our Section 172(1) Statement on page 16.

Our response to the Task Force on Climate-related Financial Disclosures continued

Management's role in assessing and managing climate-related risks and opportunities [TCFD Governance (b)]

The day-to-day assessment and management of climate-related risks and opportunities is conducted through several senior management positions and operational teams:

– Our **Responsible Business team**, led by our Director of Responsible Business, is accountable for developing Group-wide climate change strategy, climate-related risk and opportunity identification and assessment, and for reporting and communication on climate-related matters. The Responsible Business team is responsible for ensuring each of these activities is fully integrated into Kingfisher's strategic and financial planning processes.
– Within the Group Offer & Sourcing function, a **sustainability team** is responsible for ensuring our product sustainability requirements are embedded into our Own Exclusive Brand (OEB) product ranges, and for collaborating with OEB vendors to reduce their own emissions.
– Each **banner** is responsible for delivering scope 1 and 2 emissions reductions, in line with the contributions of each banner required under the Group-wide scope 1 and 2 science-based targets.
– In 2022, we established internal **Energy and Net Zero Logistics Forums** to facilitate decarbonisation planning and action in each area of our retail operations and to share best practices across banners.

The Responsible Business team agree the agendas for the Responsible Business Committee and Group Climate Committee with the respective committee chairs, prioritising updates or decisions on key areas of Kingfisher's climate strategy as necessary. This ensures that management communicates to relevant governing bodies on an ongoing basis.

For example, in FY 2022/23 the Responsible Business team delivered an update to the Group Climate Committee on the findings from our climate scenario analysis, and proposed the establishment of a scope 1 and 2 net zero target to the Responsible Business Committee.

Enhancing our governance of climate-related risks and opportunities

We have reviewed competence at Board level and found that the Board contains sufficient climate-related expertise through the inclusion of the Chair of Kingfisher's RBC, who is briefed regularly on a wide range of climate-related issues, as well as our CEO who chairs the Group Climate Committee.

In 2022 we also focused on building knowledge and expertise on climate change for management through dedicated training in key Group functions such as Financial Planning and Analysis, and Internal Audit.

Strategy

Our strategy for identifying climate-related risks and opportunities is informed by our risk management processes (see Risks on page 51), of which our use of climate-related scenario analysis is a key component. Where material to our business performance, we consider climate-related risks and opportunities within our strategy development and financial planning.

Our climate-related risks and opportunities [TCFD Strategy (a, b), Metrics and Targets (a)]

We have defined risk time horizons of short term (0-1 years), medium term (1-3 years), and long term (3+ years).

To guide our disclosure of climate-related risks and opportunities, we define materiality based on net risk severity level, in accordance with our Group-wide risk management framework, rather than any definition of financial materiality used elsewhere within our reporting. As a result, we have disclosed only those risks and opportunities assessed as having a net risk severity level of 'medium' or higher (see Risk Management (a)).

Risks and opportunities assessed as having a lower net risk severity level include those related to current and emerging climate-related regulations.

Our climate-related risks and opportunities

Risks/opportunities and description [TCFD Strategy (a)]	Impact of specific climate-related risks and opportunities on our strategy and financial planning [TCFD Strategy (b)] and associated metrics for ongoing assessment of our risks and opportunities [TCFD Metrics and Targets (a)]
Market changes Opportunities to increase sales of Sustainable Home Products (SHP)[1] that enable customers to create net zero homes; reputational risks from failure to transition away from carbon intensive products such as peat. **Timeframe for most significant impact:** Short term (0-1 years) due to current elevated energy prices. **Geography and business areas impacted:** Global product offering, with actions to realise opportunities in each market.	**Elements impacted:** Products and services, supply chain mitigation activities, investment in R&D. **Description:** The commercial opportunities and risks from the transition towards net zero will continue to shape our product range and business strategy. Research by Halifax suggests that around 60% of homes in England and Wales fail to meet the UK Government's aspiration for as many homes as possible to reach Energy Performance Certificate Band C by 2035.[2] Our SHP help to make greener, healthier homes more affordable and can support the delivery of national net zero targets. We are also taking action to reduce the embodied carbon in our product ranges, in line with our scope 3 carbon targets. Product innovation is a key focus of our strategy. For example, we are exploring how we can reduce supply chain carbon emissions from our bagged cement products by switching to lower carbon formulations. In 2022, we launched the B&Q Energy Saving Service in the UK and other energy efficiency services in our French banners, and expanded our energy-saving product ranges across our banners to support customers in reducing household energy costs and emissions. **Metrics:** We assess progress in managing this opportunity through our headline target to achieve 60% of Group sales from SHP by the end of FY 25/26 (and 70% from our OEB products and services) – see page 24. A more detailed breakdown of our SHP metrics is provided for historical periods on pages 27 to 29 of our FY 21/22 Performance Data Appendix.[3]
Energy and fuel costs Increased risk of rising energy and fuel prices, due to regulatory changes and an increase in energy demand (e.g. more heating and cooling requirements during extreme weather). **Timeframe for most significant impact:** Short term (0-1 years) due to current elevated energy prices. **Geography and business areas impacted:** Global retail and distribution operations, with actions to mitigate risks in each market.	**Elements impacted:** Operations. **Description:** We are working to reduce energy use and carbon emissions through our science-based targets, which cover our own operations (scope 1 and 2 emissions) and supply chain (scope 3 emissions). We mitigate this risk through investments to improve the efficiency and reduce the carbon intensity of our energy and fuel consumption. For example, we continue to roll out LED lighting and building energy management systems across our estate, whilst increasing the proportion of our power derived from renewable sources. See the Improving energy efficiency section on page 34. **Metrics:** We assess progress in managing this risk through multiple metrics including: – Scope 1 and 2 GHG emissions – Total energy intensity (kWh/m^2 reported floor space) – Loading efficiency (litres of fuel used per m^3 of product delivered to stores) Our latest FY 22/23 scope 1 and 2 GHG emissions and total energy intensity are available on page 33. A more detailed breakdown of each of these metrics is provided for historical periods on pages 22 to 26 of our FY 21/22 Performance Data Appendix.[3]
Carbon pricing National and/or international carbon pricing policies may result in increased operational and supply chain costs that we are not able to pass through to customers in full, and/or may lead to reduced demand for products. **Timeframe for most significant impact:** Long term (3+ years). **Geography and business areas impacted:** Global supply chains, with actions to mitigate risks in each market.	**Elements impacted:** Products and services, supply chain mitigation activities, access to capital. **Description:** A key pillar of our Responsible Business strategy is our commitment to reducing our emissions in line with the UN's goal to limit global warming to 1.5 degrees (see Metrics and Targets below), the highest ambition of the Paris Climate Change Agreement. We have a strong track record in reducing our own emissions and are collaborating closely with our suppliers to ensure we are driving positive change across our supply chain. For example, through our commitment to generating 60% of Group sales from SHP by the end of FY 2025/26, a co-benefit will be the reduction of carbon emissions embodied within certain SHP ranges (e.g. through selecting more sustainable materials) and/or emitted when our customers use and dispose of our products (e.g. through providing more energy efficient products). We continue to monitor regulatory and market developments to inform our Responsible Business strategy and financial planning. **Metrics:** We assess progress in managing this risk primarily through our GHG emissions (scope 1, 2 and 3), as well as a Discounted Cash Flow at Risk metric calculated through our scenario analysis (further details on page 32). Our latest FY 2022/23 scope 1 and 2 GHG emissions are available on page 33. A detailed breakdown of our scope 1, 2 and 3 GHG emissions is provided for historical periods on pages 22 to 26 of our FY 2021/22 Performance Data Appendix[3].

1. Our Sustainable Home Products (SHP) can help to lower the environmental impacts of our products by including features that are sustainable and/or deliver sustainable benefits to customers. SHP support our ambition to address climate change through reducing carbon emissions embodied in our products and those linked to our customers' use and disposal of them.
2. www.lloydsbankinggroup.com/media/press-releases/2022/halifax/15-million-homes-need-energy-efficiency-upgrades.html
3. Our Performance Data Appendix provides climate-related metrics for FY 2021/22 and historical periods and is available at www.kingfisher.com/dataappendix

Our response to the Task Force on Climate-related Financial Disclosures continued

The following risks have been assessed via our scenario analysis process and have been determined to have a 'low' net risk severity level (see Strategy (c)), in accordance with the Kingfisher risk assessment process (see Risk Management (a)). We will continue to monitor these risks on an annual basis:

Risks/opportunities and description [TCFD Strategy (a)]	Impact of specific climate-related risks and opportunities on our strategy and financial planning [TCFD Strategy (b)] and associated metrics for ongoing assessment of our risks and opportunities [TCFD Metrics and Targets (a)]
Facilities disruption and damage Increased average global temperatures will most likely lead to the increased frequency and intensity of extreme weather events, which may cause damage to our facilities (increased costs) and consequently disrupt our retail and distribution operations (decreased revenues). **Timeframe for most significant impact:** Long term (3+ years). **Geography and business areas impacted:** Global retail and distribution operations, with actions to mitigate risks in each market. Key supply routes and ports may also be impacted but are yet to be fully assessed.	**Elements impacted:** Operations. **Description:** We maintain robust continuity planning and insurance programmes (including self-insured policies). Additionally, we incorporate climate change factors into the planning and design of new stores, refurbishment projects and preventative maintenance programmes. For example, in certain locations, we have implemented location-specific adaptations, such as painting store roofs white to aid natural cooling. **Metrics:** We assess progress in managing this risk through a Discounted Cash Flow at Risk metric calculated through our scenario analysis (further details provided below).
Changes in raw material supply Changes in the global climate will likely impact the availability of high-quality supplies of certain wood species. This may affect our future ability to generate revenues from wood and paper products. **Timeframe for most significant impact:** Long term (3+ years). **Geography and business areas impacted:** Global wood and paper supply chain.	**Elements impacted:** Products and services, supply chain adaptation. **Description:** A resilient supply chain is key to our business and the achievement of our strategic objectives. We continually review key suppliers by category to establish capacity and volumes and assess the impact of an interruption in supply. Our supplier strategy includes guidance on when to use more than one supplier to increase resilience. **Metrics:** We assess progress in managing this risk through a Discounted Cash Flow at Risk metric calculated through our scenario analysis (further details provided below). We also assess this risk through our metrics on responsible sourcing of wood and paper products (pages 20 to 21 of our FY 2021/22 Performance Data Appendix*).

* Our Performance Data Appendix provides climate-related metrics for FY 2021/22 and historical periods and is available at www.kingfisher.com/dataappendix

Additional impacts of climate-related risks and opportunities on our strategy and financial planning [TCFD Strategy (b)]

The mitigation and adaptation measures identified above are intended to build operational, regulatory, and supply chain resilience to climate change.

Central to our approach to managing climate-related risks and opportunities is our transition plan, centred on our science-based emissions reduction targets (see Metrics and Targets below). We have committed to achieving net zero scope 1 and 2 emissions by the end of 2040, ten years ahead of the UK Government's 2050 target. Our transition plan for achieving net zero and our other emissions targets is set out in our FY 2021/22 Responsible Business Report (pages 23 to 30). We will continue to expand our transition plan, with consideration to the Transition Plan Taskforce's Disclosure Framework and the TCFD's Guidance on Metrics, Targets, and Transition Plans.

We also recognise that we cannot manage our climate-related risks and opportunities alone. In addition to the mitigation actions described above, we continue to promote cross-sector climate action through our support for the British Retail Consortium's Climate Action Roadmap, and as a founding member of the UN Race to Zero Breakthroughs: Retail Campaign.

In addition to the measures outlined in Our climate-related risks and opportunities table referenced above, we increasingly consider the management of climate-related risks through our existing financial planning processes, with capital investments (such as the installation of low-carbon energy technologies), anticipated revenues from our SHP, and executive remuneration.

Moving towards net zero in our properties

In 2022, we developed the detailed plans we need to guide our progress across our stores and distribution centres. One key action we're taking is replacing gas and fossil fuel-based heating systems with electric alternatives. We have now installed all-electric heating using air source heat pumps (ASHP) in over 500 Screwfix stores and this is now standard specification for new Screwfix stores in the UK & Ireland. We are also investing across our banners in energy-saving projects, including the installation of LED lighting, building energy management systems and insulation and heating improvements.

Our approach to climate scenario analysis [TCFD Strategy (c)]

Scenario analysis is an important tool increasingly used to assess the Group's strategic and financial resilience to a range of alternative, but plausible, climate futures.

To undertake detailed scenario analysis, we have worked with a third-party provider to develop a digital twin model of our business, which we can use to assess the financial impact of various climate-related transition and physical risks[1] and opportunities across our value chain. This analysis enables us to stress-test our organisational and financial resilience to climate change, and to develop effective mitigation plans.

Our scenario analysis considers the implications of a full range of emissions trajectories and global average temperature increases, each based on climate modelling used by the Intergovernmental Panel on Climate Change, the Network for Greening the Financial System, and the International Energy Agency. Our reference scenarios, and the global impact of climate risks under each, are as follows:

Global temperature increase*	Scenario description
1.5°C	Urgent global policy response delivering net zero global emissions by 2050. Leads to rapid shifts in energy generation, consumer behaviours, and technological innovation. Physical risk increases are limited, but transition risks are high.
2°C – 3°C	Implementation of current climate policies and commitments, without further action beyond this. Intermediate levels of physical and transition risks in the short term, with increasing physical risks over time.
>4°C	No further global policy action is taken on climate change and even current obligations are not met. Emissions therefore continue to grow. Physical risks grow significantly over time, but transition risks are low.

* Average global surface temperature increase above pre-industrial levels by 2100.

Our use of scenario analysis covers a five-year period, ensuring that we consider all Kingfisher risk time horizons, including the three-year assessment period for our Viability statement and beyond (the Viability statement on page 60 models one scenario which links to our climate change principal risk).

The three risks considered in our scenario analysis during FY 2021/22 (see Scenario analysis results) are modelled independently, reflecting the complexity and uncertainty associated with measuring the interconnectivity of risks. Mitigating actions have not been considered within our modelling, giving an assessment of gross risk. Assumptions regarding business growth have been used to generate a baseline view of the business for assessment of the potential financial impacts of climate change.

The results of our analysis are reported to our Group Climate Committee, to ensure cross-functional and Executive-level decision-making on the management of climate-related risks and opportunities.

Scenario analysis results

The financial impacts identified in the table below reflect the estimated gross incremental impact, before mitigations, from climate change on the Group's discounted cash flows (DCF) over the next five years. This allows comparison of different risks, whether physical and transition, within a standard framework.

The impacts have been rated as 'Low', 'Medium' or 'High' to reflect the relative financial materiality of each risk under each scenario. Impact on cumulative DCF is used as a proxy for resilience. The impact thresholds have been determined following consultation with investors and are therefore a helpful proxy for resilience of our financial and strategic position.

Our scenario analysis results indicate that both transition and physical climate-related risks could impact our financial performance and position over the five-year time horizon assessed, with low (<1% of DCF) to medium (1% to 5% of DCF) severity. Increased costs from policy-driven carbon price increases has a medium severity impact, with the most significant financial impacts in our longer-term (3+ years) horizon.

Our scenario analysis results do not currently identify any significant impacts on our business model over the time horizon assessed, and therefore no changes in strategy are required beyond those already being implemented to decarbonise our business in line with limiting global temperature increases to 1.5°C, as described in our response to carbon pricing risk in Our climate-related risks and opportunities table is on page 29.

We will continue to expand our use of scenario analysis to test our resilience to climate-related risk, and to inform our strategic and financial planning, in line with the TCFD recommendations.

The alignment of the scenarios discussed above, and the assumptions and sensitivities identified in the table on page 32, with our financial statements is described in note 3 of the consolidated financial statements.

1. Risks can be associated with the physical impacts of climate change (i.e. extreme weather events or long-term shifts in precipitation and temperatures), or with the transition to a lower-carbon global economy (e.g. policy and legal actions, technology change, market responses, and reputational considerations).

Our response to the Task Force on Climate-related Financial Disclosures continued

Our climate scenario analysis results

Climate-related risk/opportunity and key modelling assumptions	Impact on 5-year cumulative DCF and implications for resilience		
Carbon pricing	1.5°C	2-3°C	>4°C
	Medium	Medium	Low
— Kingfisher's emissions to increase in line with 2019-2021 growth rates — All scope 1, 2, and upstream scope 3 emissions are subjected to carbon pricing — 100% of costs will be passed through to Kingfisher from suppliers — The global average carbon prices reached by the end of our 5-year time horizon are: — 1.5°C = USD 80 per tonne CO_2e — 2°C – 3°C = USD 60 – 20 per tonne CO_2e — >4°C – USD 2 per tonne CO_2e	Increases in carbon pricing globally could impact our operational costs (e.g. the purchase of electricity, natural gas, and other fuels), and reduced demand for products if costs are passed on to customers. The greatest potential impact, however, could arise from our product supply chain, where costs would most likely be passed on by vendors. The higher the carbon price, the greater the likely impact on our DCF.		
Facilities disruption and damage	1.5°C	2-3°C	>4°C
	Low	Low	Low
— Our analysis is based on our current operational footprint — Any adaptation measures, such as flood protection, employed across our estate have not been accounted for — Financial impacts from this risk cannot be passed on to customers	The DCF impacts from physical climate hazards on our own facilities and operations are likely to be relatively low under each of our scenarios within a 5-year time horizon. Lost revenues from disruption caused by heatwaves could have the greatest potential DCF impact under all scenarios. Some 'positive' impacts could be seen through reduced risks from freezing, flooding, and windstorms. Longer-term analysis shows that the reduction in 5-year cumulative DCF from facilities disruption and damage could be more than 20% greater (under a >4°C scenario) by 2050 than by the end of our 5-year risk horizon.		
Raw materials supply	1.5°C	2-3°C	>4°C
	Low	Low	Low
— Yields of pine, spruce, and fir within Europe assessed only — Analysis considered impact on yields of changes in local temperatures and precipitation levels only — Solid wood purchases considered only — Risk is a function of lost revenues, as each scenario assumes we do not adapt our sourcing strategy accordingly	In aggregate the DCF impacts are projected to be small, over a 5-year time horizon, relative to our policy risks. Yields of pine and spruce are projected to increase under all scenarios, whilst yields of fir are projected to decrease. Conversely, we would expect increased yields of spruce within our Northern European sourcing regions across all scenarios. Further analysis is required in FY 2023/24 to assess the potential impact of other climate hazards (e.g. pests, disease, and wildfires), and on a greater proportion of our wood and paper purchases (e.g. composites).		

Key
Potential impact on Kingfisher's cumulative DCF over five years, assuming no mitigating actions are taken:

Low	Medium	High
<1% of DCF	1%-5% of DCF	> 5% of DCF

Risk management

Processes for identifying and assessing climate-related risks [TCFD Risk Management (a, c)]

The identification, assessment and management of climate-related risks are fully integrated into Kingfisher's overall risk management framework. This means that all risks and opportunities across the Group are assessed on their likelihood of occurrence (within a 3 year outlook), and their potential financial, legal, business continuity, and/or reputational impact. Using five different impact levels, and five different likelihoods, enables us to plot each risk on a 5 x 5 matrix. The combination of the impact and likelihood levels on the matrix determines the overall risk severity level (low, medium, high, critical) for each risk. Each risk is assessed on a gross and net risk basis.

Our Group-level climate-related risks and opportunities, including existing and emerging regulatory requirements related to climate change, are identified and assessed as part of our annual review of our Group Responsible Business risk register. In FY 2022/23, climate change was elevated to a principal risk.

A full description of our principal risks, setting out their link to Kingfisher's strategic priorities and how principal risks are assessed, can be found on pages 51 to 58.

Kingfisher's processes for managing climate-related risks [TCFD Risk Management (b)]

Each retail banner and Group function is responsible for putting appropriate actions, controls and procedures in place to manage and monitor their identified risks and to verify that the controls operate effectively.

Efforts are made to manage all climate-related risks and opportunities which have been included within our Group Responsible Business risk register, irrespective of risk severity level. This approach reflects the inherent uncertainty in how climate-related risks and opportunities may impact our business in the future. Our use of scenario analysis is our primary mechanism for understanding this uncertainty. Our approach to managing each identified climate-related risk and opportunity is included in the table on pages 29 to 30.

More detail on our risk management approach is on pages 51 and 52.

Metrics and targets

We continually review our climate change metrics and targets to ensure that we are providing the information the business and our stakeholders need to effectively monitor our performance and drive progress.

Metrics for assessing climate-related risks and opportunities [TCFD Metrics and Targets (a)]

We have several metrics in place to assess and monitor the most significant risks and opportunities arising from climate change, detailed in the table on pages 29 to 30.

Our metrics have been developed with consideration of the cross-industry, climate-related metric categories described in the TCFD implementation guidance table A2.1. We currently only calculate the TCFD-recommend metrics most relevant to our business and the climate-related risks and opportunities identified in the table on pages 29 to 30. We do not currently use an internal carbon price.

Executive remuneration

Our new Remuneration Policy applicable to the executive directors was approved at the 2022 AGM. It includes the Kingfisher Performance Share Plan for our senior leadership population, in which Responsible Business measures form part of the performance conditions which determine the vesting of the plan. This currently includes scope 1 and scope 2 greenhouse gas emissions reduction targets, which are aligned to our science-based targets detailed below. More detail is provided on pages 96 and 97.

Revolving credit facility

In FY 2021/22 we agreed a £550 million three-year revolving credit facility with a group of our relationship banks. The facility includes specific targets which are aligned with the Group's Responsible Business plan and will benefit from a lower interest rate if we deliver against these targets. These targets include the ongoing delivery of our FY 2025/26 science-based target for scope 1 and 2 emissions.

External benchmarks

We monitor performance on climate change in external benchmarks, including the CDP Climate Change disclosure initiative. In FY 2022/23 our disclosure score increased to A (FY 2021/22: A-), one of just 296 companies to achieve this score globally.

Our greenhouse gas emissions and energy use data [TCFD Metrics and Targets (b)]

		2022/23			2021/22			
	Unit	Global*	UK only	Global (excl UK)	Global	UK only	Global (excl UK)	% change (global)
Scope 1	tCO_2e	**130,642**	**85,215**	**45,427**	153,133	98,541	54,592	-14.7%
Scope 2 – location-based	tCO_2e	**95,870**	**32,667**	**63,203**	105,056	37,570	67,486	-8.7%
Scope 2 – market-based	tCO_2e	**3,536**	**642**	**2,894**	61,122	731	60,391	-94.2%
Total scope 1 and 2 – location-based	tCO_2e	**226,512**	**117,882**	**108,630**	258,189	136,110	122,079	-12.3%
Total scope 1 and 2 – market-based	tCO_2e	**134,178**	**85,857**	**48,321**	214,255	99,271	114,984	-37.4%
Carbon footprint (market-based) per m^2 of floor space	$kgCO_2e/m^2$	**17.1**	**24.3**	**11.2**	27.9	28.2	27.6	-38.7%
Total energy consumption	GWh	**1,111**	**633**	**478**	1,230	692	538	-9.6%
Total energy intensity	kWh/m^2	**142**	**180**	**111**	160	197	129	-11.5%

Five year performance and baseline

	Unit	2022/23	2021/22	2020/21	2019/20	2018/19	2016/17 baseline	% change against baseline
Total energy consumption	GWh	**1,111**	1,230	1,139	1,193	1,274	1,284	-13.4%
Total scope 1 and 2 – market-based	tCO_2e	**134,178**	214,255	205,767	228,146	232,842	283,696	-52.7%
Carbon footprint (market-based) per m^2 of floor space	$kgCO_2e/m^2$	**17.1**	27.9	26.7	29.6	30.3	37.8	-54.8%

Our GHG emissions have been calculated using the UK Government (Defra) and International Energy Agency (IEA) emissions factors. Our data covers our material scope 1 and 2 impacts: emissions from property energy use and dedicated delivery fleets. We use the market-based method for calculating scope 2 emissions to account for our efforts in generating and purchasing low-carbon energy. We also publish our location-based emissions. We report on an 'operational control' basis, meaning that the data covers Kingfisher's retail banners where we have the full authority to introduce and implement operating policies. Emissions from our Koçtaş joint venture are reported under our scope 3 emissions (category investments). Our data methodology document contains details on our greenhouse gas emissions and energy calculations and is available at www.kingfisher.com/datamethodology.

In line with the SECR (Streamlined Energy and Carbon Reporting) requirements, we now report our emissions and energy use split between the UK and other countries. UK emissions account for 64.0% of global market-based emissions and UK energy use accounts for 57.0% of total energy use. Carbon footprint and energy intensity calculations are based on total floor area of occupied properties. 7,846,756 m^2 in FY 22/23). This is because a significant component of our direct environmental impact derives from our property portfolio.

* Our GHG and energy use data is subject to annual independent assurance (International Standard on Assurance Engagements (ISAE) 3000 limited assurance). The assurance statement with details on the scope and conclusion of the work will be published in the Responsible Business report in June 2023.

Our response to the Task Force on Climate-related Financial Disclosures continued

Improving energy efficiency

We continued to improve energy efficiency in our operations through our roll out of LED lighting, the introduction of building energy management systems across our stores, our energy efficient design blueprints for new stores and investing in insulation and efficient heating and cooling systems. We have switched to all-electric heating at over 500 stores by installing air source heat pumps and invested in on-site renewables such as biomass boilers and PV panels. We have three-year energy reduction plans for each banner.

Since FY 16/17 our energy intensity has decreased by 17.0%. Our overall energy consumption in FY 22/23 decreased year on year by 9.6% in part due to operational measures to conserve energy in line with broader European energy conservation efforts and has reduced by 13.4% since our baseline of FY 16/17.

We purchase electricity from zero carbon and renewable sources, supported by Renewable Energy Certificates for all our markets.

Targets for managing climate-related risks and opportunities [TCFD Metrics and Targets (c)]

We use several climate-related targets for managing climate-related risks and opportunities identified in the table on pages 29 to 30.

Our targets have been developed with consideration to the cross-industry, climate-related metric categories described in the TCFD implementation guidance table A2.1. The targets described below have been established as they are most relevant to our business and the management of our material climate-related risks and opportunities.

Our science-based emissions reduction targets

Related risks/opportunities: market changes, energy and fuel costs, carbon pricing (see the table on pages 29 to 30).

Each of our emissions reduction targets are aligned with the relevant methodologies of the Science Based Targets initiative (SBTi), with our near-term targets (for FY 2025/26) validated by the SBTi as being aligned with limiting global temperature increases to 1.5°C.

Each of our targets have been developed in line with our operational control reporting boundary, meaning that we assess 100% of emissions from Kingfisher's retail banners where we have the full authority to introduce and implement operating policies.

We do not currently use carbon offsets to claim progress against any of our emissions reduction targets. In line with the SBTi's definition of net zero, we acknowledge that we will be required to neutralise any residual emissions by permanently removing an equivalent volume of CO_2e, once we have achieved a scale of value chain emissions reductions consistent with the depth of abatement at the point of reaching global net zero in 1.5°C pathways.

Our Sustainable Home Product and responsible sourcing targets

Related risks/opportunities: market changes, raw materials supply (see the table on pages 29 and 30).

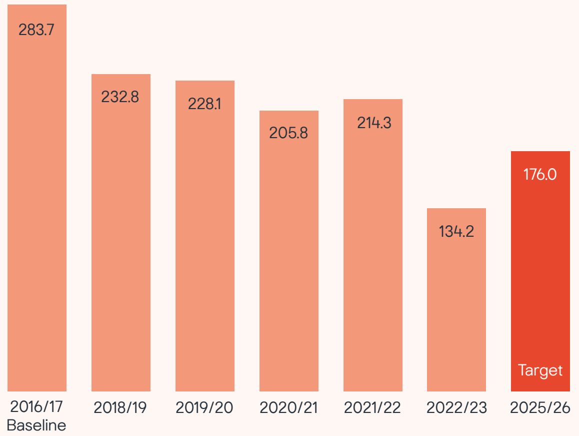
We use targets for the proportion of sales from our Sustainable Home Products, and for responsibly sourced wood and paper for our products and catalogues, to manage the identified risks from market changes and raw materials supply. Our targets, and our FY 2022/23 performance against these, are detailed on page 24. Further details are provided on page 20 (responsibly sourced wood and paper) and pages 27 to 29 (sales from our Sustainable Home Products) of our FY 2021/22 Performance Data Appendix.

KPIs used to monitor progress against targets

We have begun to fully incorporate our net zero commitment into our retail banners' Long Term Financial Plans and have established KPIs to measure preparedness for and progress towards net zero. For example, we track the percentage of projected electricity consumption covered by long-term renewable electricity contracts. We plan to disclose further information on the KPIs we use to monitor progress against our targets in future disclosures.

Our science-based emissions targets

Our carbon emissions (scope 1 and 2 market-based) thousand tonnes CO_2e from property and transport



Scope 1 and 2

Reduce our absolute greenhouse gas emissions from our direct operations by 37.8% by FY 25/26 compared with a FY 16/17 baseline, and reach net zero by the end of FY 40/41.

Performance: **On track**

We have reduced our emissions by 52.7% since FY 2016/17. During the last year we reduced our emissions by 37.4% year on year due to continued investment into renewable electricity purchases, energy efficiency measures, and lower carbon fuels (such as hydrotreated vegetable oil) across our fleets.

We continue to exceed the requirements of our scope 1 and 2 science-based emissions reduction target, ensuring that we continue to play our part in limiting global temperature increases to 1.5°C.

Our scope 1 and 2 targets include all purchased fuels and electricity for consumption within our owned or controlled assets, constituting >95% of our scope 1 and 2 base year emissions.

Scope 3

Achieve a 40% reduction (per million pounds (£) turnover) in emissions from purchased goods and services and use of sold products by FY 25/26 compared with FY 17/18.

Our scope 3 emissions represent around 99% of our total carbon footprint, and are therefore highly material to our management of climate-related risks and opportunities. Our scope 3 intensity-based target includes two thirds of our total base year scope 3 emissions. As of FY 21/22 we had reduced such emissions by 19.7%.

We will report the latest progress against our scope 3 target in our FY 2022/23 Responsible Business Report (published in June). For our most recently published scope 3 data, prepared in line with relevant GHG Protocol standards and disaggregated by all relevant scope 3 categories, please see our FY 2021/22 Performance Data Appendix.

Non-financial information statement

The table below sets out where stakeholders can find information in our Strategic Report that relates to non-financial matters, as required by 414CA and 414CB of the Companies Act 2006.

Reporting requirement	Our approach	Relevant policies	Where to find more information	Page
Environmental matters	We will become Forest Positive by creating more forests than we use, and investing in forest projects. We will help tackle climate change by reducing carbon emissions from our business, products and supply chains.	– Environmental Policy – Forest Positive Policy – Sustainable Packaging Policy – Chemicals Policy	– Our strategy – Performance against priorities – Key Performance Indicators – Supplier engagement – Responsible Business priorities – TCFD disclosures – Climate change risk – Responsible Business Committee Report	6 8 10 20 23 27 58 71
Employees	We will become an inclusive company, by breaking down barriers to employment and progression and building skills for life.	– Equal opportunities Policy – Diversity Policy – Code of Conduct	– Our strategy – Performance against priorities – Key Performance Indicators – People and culture – Colleague engagement – Responsible Business priorities – Principal risks – Our People – Responsible Business Committee Report	6 8 10 14 18 23 53 71
Human rights	We aim to understand and address human rights risks in our business and we work with suppliers across the world to bring our customers great products at great prices, without compromising on our ethical standards.	– Human Rights Policy – Supply Chain Workplace Standards	– Supplier engagement – Responsible Business priorities – Responsible sourcing and human rights – Risks – Reputation and Trust – Responsible Business Committee Report	20 23 25 57 71
Social matters	We will donate our products, expertise and time to help people whose housing needs are greatest in the communities we serve.	– Community Policy	– Performance against priorities – Key Performance Indicators – Section 172(1) statement – Community and NGO engagement – Responsible Business priorities – Responsible Business Committee Report	8 10 16 21 23 71
Anti-bribery and corruption	We are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate. That includes assessing risks, and implementing and enforcing effective systems to counter fraud, bribery and corrupt business practices.	– Anti-Bribery and Corruption Policy – Gifts and Hospitality Policy	– Supplier engagement – Responsible Business – Ethical conduct – Principal risks – Supply Chain Resilience, Legal and Regulatory, Reputation and Trust – Audit Committee report – Internal Audit	20 26 54, 57 76
Description of business model			– Business model	12
Non-financial KPIs			– Key Performance Indicators	10
Principal risks and uncertainties			– Risk management – Principal risks	51 53

In line with the requirements of LR 9.8.6R(8), Kingfisher plc considers our disclosure of climate-related financial information (see the table on page 38 for locations) to be sufficient to be consistent with the TCFD recommendations and recommended disclosures for the current year, as well as the FRC's CRR Thematic review of TCFD disclosures and climate in the financial statements, except for the following matters:

Disclosure not provided in full	Explanation	Expected timeframe for compliance
[TCFD Strategy (a)] Description of climate-related risks and opportunities by geography, as appropriate.	Whilst some description of risks and opportunities by geography is provided, the time required to collect sufficiently granular data to enable detailed analysis of climate-related impacts by geography has prevented a fuller description.	We will extend our assessment of climate-related risks and opportunities in FY 2023/24, allowing for a fuller disclosure in our FY 2023/24 annual report and accounts.
[TCFD Metrics and Targets (a)] Provision of key metrics used to measure and manage climate-related risks and opportunities in relation to capital deployment and the amount or percentage of physical and transition risks.	Further work is required to calculate metrics specifically related to capital deployment and the amount or percentage of physical and transition risks, to provide consistency with the cross-industry metric requirements described in Table A2.1 of the TCFD Implementation Guidance for All Sectors.	We will look to further develop relevant metrics for measuring and managing climate-related risks and opportunities in FY 2023/24, allowing for a fuller disclosure in our FY 2023/24 annual report and accounts.
[TCFD Metrics and Targets (c)] Description of the key performance indicators used to assess progress against targets.	Additional work is required to finalise and expand the use of relevant KPIs across Kingfisher before disclosing publicly.	We will look to disclose key performance indicators used to assess progress against targets in our FY 23/24 annual report and accounts.

The following recommendations have been deemed not relevant for inclusion within our disclosures, as they do not currently apply to Kingfisher:

– [TCFD Strategy (b)] Discussion of how identified climate-related issues have impacted our businesses, strategy, and financial planning, in relation to acquisitions or divestments.
– [TCFD Metrics and Targets (a)] Provision of internal carbon price.

A description of the external assurance of our climate-related financial disclosures can be found in the Independent auditor's report to the members of Kingfisher plc on page 112. In addition, our GHG and energy use data is subject to annual independent assurance (ISAE 3000 limited assurance). The assurance statement with details on the scope and conclusion of the work will be published in our 2022/23 Responsible Business Report in June.

TCFD index

The table below provides a reference to where our TCFD disclosures can be found.

Topic	Disclosure summary	Disclosures	Kingfisher response
Governance	Disclose the organisation's governance around climate-related risks and opportunities.	a. Describe the Board's oversight of climate-related risks and opportunities.	TCFD: page 27 TCFD: page 28 Principal risks: page 51 Kingfisher CDP Climate Change 2022
		b. Describe management's role in assessing and managing climate-related risks and opportunities.	TCFD: page 28 Principal risks: page 51 Kingfisher CDP Climate Change 2022
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	TCFD: page 28 Kingfisher CDP Climate Change 2022
		b. Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning.	TCFD: page 28 Principal risks: page 58 Kingfisher CDP Climate Change 2022
		c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	TCFD: page 31 Kingfisher CDP Climate Change 2022
Risk management	Disclose how the organisation identifies, assesses, and manages climate-related risks.	a. Describe the organisation's processes for identifying and assessing climate-related risks.	TCFD: page 32 Principal risks: page 51 Kingfisher CDP Climate Change 2022
		b. Describe the organisation's processes for managing climate-related risks.	TCFD: page 32 Principal risks: page 58 Kingfisher CDP Climate Change 2022
		c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	TCFD: page 32 Kingfisher CDP Climate Change 2022
Metrics and Targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	TCFD: page 33 Responsible Business Report 2021/22 Performance Data Appendix 2021/22 Kingfisher CDP Climate Change 2022
		b. Disclose scope 1, scope 2, and if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks.	TCFD: page 33 Responsible Business Report 2021/22 Performance Data Appendix 2021/22 Kingfisher CDP Climate Change 2022
		c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	TCFD: page 34 Responsible Business Report 2021/22 Performance Data Appendix 2021/22 Kingfisher CDP Climate Change 2022

Responsible Business Report 2021/22: http://www.kingfisher.com/responsible-business-report

Performance Data Appendix 2021/22: www.kingfisher.com/dataappendix

Kingfisher CDP Climate Change 2022: www.kingfisher.com/CDPclimatechange2022

Note that information within our Responsible Business Report and Performance Data Appendix covers a different time period (FY 2021/22) to the climate-related financial disclosures presented in this report, but we believe it is helpful to cross-reference to these earlier reports, given the more extensive disclosures they provide for certain TCFD recommendations.

Financial review

A summary of the reported financial results for the 12 months ended 31 January 2023 is set out below.

Financial summary

	2022/23	2021/22	% Total change Reported	% Total change Constant currency	% LFL change Constant currency
Sales	**£13,059m**	£13,183m	(0.9)%	(0.7)%	(2.1)%
Gross profit	**£4,795m**	£4,935m	(2.8)%	(2.6)%	
Gross margin %	**36.7%**	37.4%	(70)bps	(70)bps	
Operating profit	**£723m**	£1,144m	(36.7)%		
Statutory pre-tax profit	**£611m**	£1,007m	(39.3)%		
Statutory post-tax profit	**£471m**	£843m	(44.1)%		
Statutory basic EPS	**23.8p**	40.3p	(40.9)%		
Net decrease in cash[1]	**£(555)m**	£(237)m	n/a		
Total dividend[2]	**12.40p**	12.40p	–		
Adjusted metrics					
Retail profit	**£923m**	£1,148m	(19.7)%	(19.2)%	
Retail profit margin %	**7.1%**	8.7%	(160)bps	(160)bps	
Adjusted pre-tax profit	**£758m**	£949m	(20.2)%		
Adjusted pre-tax profit margin %	**5.8%**	7.2%	(140)bps		
Adjusted post-tax profit	**£589m**	£737m	(20.2)%		
Adjusted basic EPS	**29.7p**	35.2p	(15.6)%		
Free cash flow	**£(40)m**	£385m	n/a		
Net debt[3]	**£(2,274)m**	£(1,572)m	n/a		

1. Net decrease in cash and cash equivalents and bank overdrafts.
2. The Board has proposed a final dividend per share of 8.60p (FY 21/22 final dividend: 8.60p), resulting in a proposed total dividend per share of 12.40p in respect of FY 22/23 (FY 21/22: 12.40p). The final dividend is subject to the approval of shareholders at the Annual General Meeting on 27 June 2023.
3. Net debt includes £2,444 million lease liabilities under IFRS 16 in FY 22/23 (FY 21/22: £2,376 million).

Sales

Total sales decreased by 0.7% on a constant currency basis, to £13,059 million, reflecting resilient sales across both retail and trade channels despite strong prior year comparatives. Sales were lower in the UK & Ireland and France, substantially offset by sales growth in Poland, Iberia and Romania. On a reported basis, which includes the impact of exchange rates, total sales decreased by 0.9%.

Like-for-like sales

Like-for-like (LFL) sales decreased by 2.1%, which excludes the sales impact from a net increase in space of +1.4%, driven by store openings by Screwfix in the UK & Ireland, and Castorama in Poland. During the year, we opened 101 new stores (including 77 stores in the UK, 10 in Ireland, seven in France including five Screwfix stores, and seven in Poland) and closed one store in the UK and two in Romania.

Gross margin

Gross margin % decreased by 70 basis points on a constant currency basis, reflecting mix impacts, 'normalised' promotional activity in H1, and one-off logistics spend in H1 to secure/manage seasonal and 'buffer' stock. Mix impacts are the result of a lower year-on-year share (versus other banners) of B&Q's higher gross margin % revenues given very strong prior year sales, and unfavourable category mix between lower-margin building & joinery and EPHC (electricals, plumbing, heating & cooling) and higher margin surfaces & décor categories. On a reported basis, gross margin % also decreased by 70 basis points. Group gross profit decreased by 2.6% in constant currency.

Retail profit

In constant currency, retail profit decreased by 19.2%, largely reflecting strong prior year comparatives in the UK & Ireland and France, and losses incurred in 'Other' operations. This was partially offset by retail profit growth in Poland. On a reported basis, retail profit decreased by 19.7%. Operating costs increased by 2.4% on a constant currency basis, largely reflecting higher costs associated with space growth and new store openings, higher technology spend, and operating cost inflation including increases in pay rates and significantly higher energy costs. Part of the year-on-year cost increase was also the result of the reversal of one-off cost savings that were achieved in the first half of the prior year due to Covid-related restrictions in our markets (e.g. advertising, marketing and travel costs). The increase in operating costs was partially offset through flexing our staff costs and cost reductions achieved by our strategic cost reduction programme. The Group's retail profit margin % decreased by 160 basis points to 7.1% (FY 21/22: 8.7%; FY 19/20: 6.8%).

Financial review continued

Adjusted pre-tax profit

Adjusted pre-tax profit decreased by 20.2% to £758 million (FY 21/22: £949 million; FY 19/20: £544 million), reflecting lower retail profit, partially offset by lower net finance costs. Adjusted pre-tax profit margin % decreased by 140 basis points to 5.8% (FY 21/22: 7.2%; FY 19/20: 4.7%).

Statutory pre-tax profit

Statutory pre-tax profit, which includes adjusting items, decreased by 39.3% to £611 million. This reflects lower operating profit, including the impact of impairments (see below).

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

	2022/23 £m	2021/22 £m	Increase/ (decrease)
Retail profit (constant currency)	**923**	1,142	(19.2)%
Impact of exchange rates	**–**	6	n/a
Retail profit (reported)	**923**	1,148	(19.7)%
Central costs	**(49)**	(60)	n/a
Share of interest and tax of joint ventures & associates	**(4)**	(2)	n/a
Net finance costs	**(112)**	(137)	n/a
Adjusted pre-tax profit	**758**	949	(20.2)%
Adjusting items before tax	**(147)**	58	n/a
Statutory pre-tax profit	**611**	1,007	(39.3)%

Net finance costs of £112 million (FY 21/22: £137 million) consist principally of interest on IFRS 16 lease liabilities. The year-on-year decrease was due to lower interest on lease liabilities and higher interest income.

Adjusting items after tax were a total charge of £118 million (FY 21/22: gain of £106 million), as detailed below:

	2022/23 Gain/(charge) £m	2021/22 Gain/(charge) £m
Net store asset impairment (charges)/reversals	**(139)**	33
Romania goodwill impairment	**(16)**	–
Release of Castorama Russia disposal warranty liability	**4**	–
Release of France and other restructuring provisions	**3**	9
Property gains	**1**	3
Commercial operating model restructuring	**–**	4
Release of France uncertain operating tax position	**–**	9
Adjusting items before tax	**(147)**	58
Prior year and other adjusting tax items	**29**	48
Adjusting items after tax	**(118)**	106

In consideration of the significant increase in discount rates resulting from high levels of inflation and wider macroeconomic uncertainty, the Group has undertaken a full impairment review of its stores. The significant increase in discount rates, combined with revised financial projections, has resulted in the recognition of £139 million of net store asset impairments in the year. These have been recorded principally in the UK and France.

An impairment charge of £16 million has been recorded relating to the remaining goodwill in Romania, principally driven by the significant increase in discount rates and revised financial projections.

A £4 million liability that was held in relation to warranties as part of the Castorama Russia disposal in 2020 was released in the year following the expiry of the warranty claims period.

Other adjusting items include a £3 million gain arising due to savings on costs relating to legacy store closure programmes in France, as compared with the original restructuring provisions recognised. A gain of £1 million was recorded on the exit of one property in the UK.

Taxation

The Group's adjusted effective tax rate (ETR) is sensitive to the blend of tax rates and profits in the Group's various jurisdictions. It is higher than the UK statutory rate because of the amount of Group profit that is earned in higher tax jurisdictions. The adjusted ETR, calculated on profit before adjusting items, prior year tax adjustments and the impact of future rate changes, is 22% (FY 21/22: 22%). The adjusted ETR is consistent with the prior year rate with small increases relating to the impact of increased losses in territories in which tax credits are not recognised, and a higher share of profits in France; offset by reductions for the fall in French corporate income tax rate.

The statutory effective tax rate includes the impact of adjusting items (including prior year tax items). The impact of these result in a statutory effective tax rate of 23%.

	Pre-tax profit £m	**Tax £m**	**2022/23 %**	Pre-tax profit £m	Tax £m	2021/22 %
Adjusted effective tax rate	**758**	**(169)**	**22%**	949	(212)	22%
Adjusting items	**(147)**	**29**		58	48	
Statutory effective tax rate	**611**	**(140)**	**23%**	**1,007**	**(164)**	**16%**

On 8 June 2022, the General Court of the European Union dismissed several of the appeals, including the UK Government's, to annul the European Commission's 2019 state aid decision concerning the UK's controlled foreign company tax rules. This decision has been appealed to the European Court of Justice.

In FY 21/22, Kingfisher paid £64 million (including interest) to HM Revenue & Customs in relation to the state aid decision. The Group continues to recognise this amount as a non-current tax asset based on its assessment that its appeal will ultimately be successful. Refer to note 35 of the consolidated financial statements.

In February 2022, a payment of €40 million (c. £34 million) was made to the French tax authorities relating to a historic tax liability. This amount was fully provided for in prior periods.

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

	2023/24 Statutory tax rate	2022/23 Statutory tax rate
UK	**24%**	19%
France	**26%**	26%
Poland	**19%**	19%

Adjusted basic earnings per share decreased by 15.6% to 29.7p (FY 21/22: 35.2p), which excludes the impact of adjusting items. Basic earnings per share decreased by 40.9% to 23.8p (FY 21/22: 40.3p) as set out below:

	Earnings* £m	**2022/23 EPS pence**	Earnings* £m	2021/22 EPS pence
Adjusted basic earnings per share	**589**	**29.7**	737	35.2
Adjusting items before tax	**(147)**	**(7.4)**	58	2.8
Prior year and other adjusting tax items	**29**	**1.5**	48	2.3
Basic earnings per share	**471**	**23.8**	843	40.3

* Earnings figures presented reconcile adjusted post-tax profits to statutory post-tax profits.

Financial review continued

Tax contribution

Kingfisher makes a significant economic contribution to the countries in which it operates. In 2022/23 it contributed £2.3 billion in taxes it both pays and collects for these governments. The Group pays tax on its profits, its properties, in employing 82,000 people, in environmental levies, in customs duties and levies as well as other local taxes. The most significant taxes it collects for governments are the sales taxes charged to its customers on their purchases (VAT) and employee payroll-related taxes. Taxes paid and collected together represent Kingfisher's total tax contribution which is shown below:

Total taxes paid as a result of Group operations	**2022/23 £bn**	2021/22* £bn
Taxes borne	**0.8**	0.8
Taxes collected	**1.5**	1.6
Total tax contribution	**2.3**	2.4

* 2021/22 comparatives are presented on a constant currency basis. Both current and prior year figures exclude the tax contribution of discontinued operations.

Kingfisher participates in the Total Tax Contribution survey that PwC perform for the Hundred Group of Finance Directors. The 2022 survey ranked Kingfisher 23rd (2021: 23rd) for its Total Tax Contribution in the UK. In 2022, 95 (2021: 95) companies contributed to the survey.

Taxation governance and risk management

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

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

Tax risks can arise from changes in law, differences in interpretation of law and the failure to comply with the applicable rules and procedures. The Group seeks to take a balanced approach to tax risk having regard to the interests of all stakeholders including investors, customers, staff and the governments and communities in the countries in which it operates. As a multinational group, operating in an increasingly complex and changing international corporate tax environment, some risk is unavoidable.

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

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

Dividends

The Board has proposed a final dividend per share of 8.60p (FY 21/22 final dividend: 8.60p). Taken alongside the interim dividend already paid of 3.80p (FY 21/22 interim dividend: 3.80p), this results in a proposed total dividend per share of 12.40p in respect of FY 22/23 (FY 21/22: 12.40p). The final dividend is subject to shareholder approval at the Annual General Meeting on 27 June 2023, and if approved will be paid on 3 July 2023 to shareholders on the register at close of business on 26 May 2023. The shares will go ex-dividend on 25 May 2023.

A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to reinvest their dividends in the Company's shares. The last date for receipt of DRIP elections is 12 June 2023.

Management of balance sheet and liquidity risk and financing

Management of cash and debt facilities

Kingfisher regularly reviews the level of cash and debt facilities required to fund its activities. This involves preparing a prudent cash flow forecast for the medium term, determining the level of debt facilities required to fund the business, planning for repayment of debt at its maturity, and identifying an appropriate amount of headroom to provide a reserve against unexpected outflows and/or unexpected impacts to cash inflows. To retain financial flexibility, we aim to maintain strong liquidity headroom (including cash and cash equivalents, and committed debt facilities), which is currently set at a minimum of £800m.

Net debt to EBITDA

As of 31 January 2023, the Group had £2.3 billion (FY 21/22: £1.6 billion) of net debt on its balance sheet including £2.4 billion (FY 21/22: £2.4 billion) of total lease liabilities.

The ratio of the Group's net debt to EBITDA was 1.6 times as of 31 January 2023 (1.0 times as of 31 January 2022). At this level, the Group has financial flexibility whilst retaining an efficient cost of capital.

The Group's maximum net debt to EBITDA is 2.0 times over the medium term.

Net debt to EBITDA is set out below:

	2022/23 £m	2021/22 £m
Retail profit	**923**	1,148
Central costs	**(49)**	(60)
Depreciation and amortisation	**582**	555
EBITDA	**1,456**	1,643
Net debt	**2,274**	1,572
Net debt to EBITDA	**1.6**	1.0

Credit ratings

Kingfisher holds a BBB credit rating with Fitch, (P) Baa2 rating with Moody's, and a BBB rating with Standard and Poor's. The Outlook is Stable across all three agencies.

Revolving credit facility

The Group has a £550 million revolving credit facility (RCF) agreement in place with a group of its relationship banks, linked to sustainability and community-based targets, which expires in May 2025. As of 31 January 2023, this RCF was undrawn.

Term loans

In FY 21/22, the Group repaid its €50 million and £50 million fixed term loans at maturity in September 2021 and December 2021 respectively. During FY 22/23, the Group entered into two new fixed term loans: £50 million maturing in December 2024 and £50 million maturing in January 2025, with the latter linked to the Group's sustainability and community-based targets.

Covenants

The terms of the committed RCF and both term loans require that the ratio of Group operating profit (excluding adjusting items) to net interest payable (excluding interest on IFRS 16 lease liabilities) must be no less than 3:1 for the preceding 12 months as at the half and full year-ends. As of 31 January 2023, Kingfisher was in compliance with this requirement.

Total liquidity

As of 31 January 2023, the Group had access to over £800 million in total liquidity, including cash and cash equivalents of £270 million and access to a £550 million RCF. Further detail on Kingfisher's debt and facilities can be found at www.kingfisher.com

Financial review continued

Free cash flow

A reconciliation of free cash flow is set out below:

	2022/23 £m	2021/22 £m
Operating profit	**723**	1,144
Adjusting items	**147**	(58)
Operating profit (before adjusting items)	**870**	1,086
Other non-cash items[1]	**612**	595
Change in working capital	**(469)**	(215)
Pensions and provisions	**(20)**	(31)
Net rent paid	**(454)**	(480)
Operating cash flow	**539**	955
Net interest paid	**–**	(4)
Tax paid	**(130)**	(169)
Gross capital expenditure	**(449)**	(397)
Free cash flow	**(40)**	385
Ordinary dividends paid	**(246)**	(254)
Share buybacks	**(337)**	(157)
Share purchase for employee incentive schemes	**(9)**	(29)
Disposal of Castorama Russia	**8**	7
French tax authority payment[2]	**(34)**	–
Other tax authority payment[3]	**–**	(64)
Disposal of assets and other[4]	**4**	(28)
Net cash flow	**(654)**	(140)
Opening net debt	**(1,572)**	(1,394)
Movements in lease liabilities	**(41)**	7
Other movement including foreign exchange	**(7)**	(45)
Closing net debt	**(2,274)**	(1,572)

1. Includes principally depreciation and amortisation, share-based compensation charge and pension operating cost.
2. Payments made in relation to French tax authority settlement (refer to the Taxation section above for further details).
3. Payments made in relation to the EC state aid challenge (refer to the Taxation section above for further details).
4. Includes proceeds from the issue of new shares, dividends from joint ventures and associates, and disposal of assets; partially offset by adjusting cash flow items (principally comprising restructuring costs).

Operating profit (before adjusting items) was £216 million lower than last year, largely reflecting lower profits in the UK & Ireland and France.

The working capital outflow of £469 million was partly driven by an increase in net inventory of £234 million. Over 100% of this increase was driven by higher product purchase prices, alongside increases related to higher levels of 'carry-over' seasonal items (which we decided to proactively purchase ahead of forecast cost price increases), and stock to support our store expansion programme. The increase was partially offset by lower purchases and our strategic actions to reduce inventory. Payables decreased by £191 million, largely reflecting higher inventory purchases in the prior year to rebuild product availability, build seasonal and 'buffer' stock, and secure lower cost stock. Receivables increased by £44 million.

Gross capital expenditure in the year was £449 million, increasing by 13% (FY 21/22: £397 million). Of this expenditure, 33% was invested in refreshing, maintaining and adapting existing stores (including renewable energy initiatives), 13% on new stores, 39% on technology and digital development, 5% on range reviews and 10% on other areas including supply chain investment.

Overall, free cash flow for the year was £(40) million (FY 21/22: £385 million).

Net debt (including IFRS 16 lease liabilities) as of 31 January 2023 was £2,274 million (FY 21/22: £1,572 million).

A reconciliation of free cash flow and net cash flow to the statutory net movement in cash and cash equivalents and bank overdrafts is set out below:

	2022/23 £m	2021/22 £m
Free cash flow	**(40)**	385
Ordinary dividends paid	**(246)**	(254)
Share buybacks	**(337)**	(157)
Share purchase for employee incentive schemes	**(9)**	(29)
Disposal of Castorama Russia	**8**	7
French tax authority payment[1]	**(34)**	–
Other tax authority payment[2]	**–**	(64)
Disposal of assets and other[3]	**4**	(28)
Net cash flow	**(654)**	(140)
Issue of fixed term debt	**99**	–
Repayment of bank loans	**–**	(2)
Repayment of fixed term debt	**–**	(95)
Net decrease in cash and cash equivalents and bank overdrafts	**(555)**	(237)

1. Payments made in relation to French tax authority settlement (refer to the Taxation section above for further details).
2. Payments made in relation to the EC state aid challenge (refer to the Taxation section above for further details).
3. Includes proceeds from the issue of new shares, dividends from joint ventures and associates, and disposal of assets; partially offset by adjusting cash flow items (principally comprising restructuring costs).

Return on capital employed (ROCE)

In FY 22/23, Kingfisher's post-tax ROCE was 10.9% (FY 21/22: 14.6%). The decrease was mainly driven by lower profit in the UK & Ireland. Kingfisher's weighted average cost of capital (WACC) is 9.3% (FY 21/22: 7.6%).

ROCE by geographic division is analysed below:

	Sales £bn	Proportion of Group sales	Capital employed (CE) £bn	Proportion of Group CE	**2022/23 ROCE**	2021/22 ROCE
UK & Ireland	6.2	47.3%	3.0	48.3%	**16.4%**	22.6%
France	4.5	34.3%	1.7	27.4%	**8.5%**	9.7%
Other International	2.4	18.3%	1.3	21.0%	**9.1%**	9.3%
Central			0.2	3.2%		
Total	**13.1**		**6.2**		**10.9%**	**14.6%**

Capital risk management

The Group's objectives when managing capital are:

- to invest in the business where economic returns are attractive;
- to maintain a solid investment grade credit rating;
- to retain financial flexibility;
- to provide attractive returns to shareholders; and
- over the medium term, maximum net debt to EBITDA on an IFRS 16 basis of 2.0 times.

The Group manages its capital through:

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

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

Financial review continued

Property

Kingfisher owns a significant property portfolio, almost all of which is used for trading purposes. A formal valuation of the portfolio was undertaken by external professional valuers in October 2022, with the valuations then updated to 31 January 2023. Based on this exercise, on a sale-and-leaseback basis with Kingfisher in occupancy, the value of the property portfolio is £2.8 billion as of 31 January 2023 (FY 21/22: £2.8 billion).

	2022/23 £bn	**2022/23 Yields**	2021/22 £bn	2021/22 Yields
France	**1.4**	**8.1%**	1.3	8.0%
UK	**0.5**	**7.2%**	0.6	6.2%
Poland	**0.7**	**8.0%**	0.7	7.6%
Other	**0.2**	**n/a**	0.2	n/a
Total	**2.8**		2.8	

This is compared to the net book value of £2.2 billion (FY 21/22: £2.2 billion) recorded in the financial statements (including investment property and property included within assets held for sale). Balance sheet values were frozen at 1 February 2004 on the transition to IFRS.

Pensions

As of 31 January 2023, the Group had a net surplus of £137 million (FY 21/22: £410 million net surplus) in relation to defined benefit pension arrangements, of which a £251 million surplus (FY 21/22: £540 million surplus) was in relation to the UK scheme. The decrease in net surplus is mainly due to significant increases in yields on UK Government and corporate bonds which has caused reductions of around a third in both scheme liabilities and assets; the latter reflecting the liability-matching investment strategy. Further actuarial losses arose due to updated membership data and demographic assumptions following the triennial funding valuation completed in the year. As part of the funding valuation exercise, the Trustee and Kingfisher have agreed to cease annual employer contributions during the period from August 2022 to July 2025. The accounting valuation is sensitive to a number of assumptions and market rates which are likely to fluctuate in the future. Please refer to note 28 to the consolidated financial statements for more information.

Trading review by division

UK & Ireland

£m	2022/23	2021/22	% Reported change	% Constant currency change	% LFL change	% 3-year LFL change
B&Q	**3,835**	4,178	(8.2)%	(8.2)%	(8.8)%	+15.8%
Screwfix	**2,365**	2,327	+1.6%	+1.6%	(3.4)%	+14.2%
Total sales	**6,200**	**6,505**	**(4.7)%**	**(4.7)%**	**(6.9)%**	**+15.3%**

Retail profit	**603**	**794**	**(24.0)%**	**(24.0)%**
Retail profit margin %	**9.7%**	12.2%	(250)bps	(250)bps

Kingfisher UK & Ireland sales decreased by 4.7% (LFL -6.9%) to £6,200 million, against very strong prior year comparatives in H1. In H2, total sales increased by 1.5% (LFL -1.2%). 3-year LFL sales for the year were up 15.3%. The 3-year sales trend improved to +16.2% in Q4 (versus +12.9% in Q3) supported by resilient sales from DIFM/trade categories. Over the last three years, B&Q (including TradePoint) and Screwfix have increased their market shares in the UK, supported by strong engagement with new and existing customers and higher store and online NPS scores. Gross margin % decreased by 80 basis points, reflecting 'normalised' promotional activity in H1 versus the prior year and one-off logistics spend in H1 to secure and manage seasonal and 'buffer' stock, in addition to mix impacts. Mix impacts were the result of a lower year-on-year share (versus Screwfix) of B&Q's higher gross margin % revenues given very strong prior year sales; and unfavourable B&Q category mix between lower margin building & joinery and EPHC (electricals, plumbing, heating & cooling) and higher margin surfaces & décor categories.

Retail profit decreased by 24.0% to £603 million (FY 21/22: £794 million; FY 19/20: £499 million; at reported rates), due to the exceptionally higher sales and gross margin % in H1 last year. In H2, retail profit increased 22.4% to £264 million (H2 21/22: £215 million at reported rates). Operating costs increased by 1.3%, driven by higher costs associated with 86 net new store openings in the year, higher technology spend, and operating cost inflation including increases in pay rates and significantly higher energy costs. Advertising, marketing and travel costs also normalised compared to one-off Covid-related savings in the prior year. Increases were substantially offset through flexing our staff costs and cost reductions achieved by our strategic cost reduction programme. Retail profit margin % decreased by 250 basis points to 9.7% (FY 21/22: 12.2%; FY 19/20: 9.8%).

B&Q

B&Q total sales decreased by 8.2% (LFL -8.8%) to £3,835 million against very strong prior year comparatives, especially in H1. Sales trends improved in H2 (LFL -3.2%) with positive LFL growth in the EPHC, building & joinery and bathroom & storage categories. 3-year LFL sales for the year were up 15.8%. The business achieved good growth across all categories on a 3-year basis, in particular building & joinery and outdoor. LFL sales of weather-related categories decreased by 16% (increase of 21% on a 3-year LFL basis), while LFL sales of non-weather-related categories, including showroom, decreased by 6% (increase of 14% on a 3-year LFL basis). B&Q's total e-commerce sales (including marketplace gross sales) decreased by 7% year-on-year, which was a resilient performance against strong online trading in the first half of the prior year. In H2, total e-commerce sales increased by 9%, driven by the growth of B&Q's marketplace which has scaled rapidly since its launch in March 2022.

Marketplace reached a penetration of 22% in January 2023 (i.e. B&Q's marketplace gross sales divided by B&Q's total e-commerce sales). B&Q's total e-commerce sales were up 130% on a 3-year basis, with overall e-commerce sales penetration of 11% (FY 21/22: 11%; FY 19/20: 5%). B&Q opened five small format stores in FY 22/23, including its first two B&Q Local compact format stores, and closed one store. As of 31 January 2023, B&Q had a total of 316 stores in the UK and Ireland. In February 2023, B&Q announced that it is terminating its 'grocery concession' partnership with ASDA in eight stores.

TradePoint

B&Q's trade-focused banner, TradePoint, continued to perform ahead of expectations in FY 22/23, supported by resilient sales from trade customers. LFL sales for TradePoint outperformed the rest of B&Q, down just 1.2% year-on-year, with 3-year LFL sales up 31.5%. TradePoint's penetration of B&Q sales increased to 22% (FY 21/22: 20%). Throughout the year, TradePoint continued to focus on customer engagement and loyalty through targeted campaigns, trade-only deals and events, and improvements to trade-specific product ranges and services. E-commerce sales increased by 14% in the year as TradePoint grew awareness of its digital offer. During the year, TradePoint opened 18 new counters in the UK within B&Q stores, and expanded into Ireland with its first eight counters. Further roll-out of the proposition will continue in FY 23/24.

Screwfix

Screwfix total sales increased by 1.6% (LFL -3.4%) to £2,365 million, reflecting a robust performance against very strong prior year comparatives, especially in H1. In H2, total sales increased by 8.0% (LFL +2.1%), supported by good demand from trade customers. 3-year LFL sales for the year were up 14.2%, with the sales trend accelerating to +15.3% in Q4 versus +12.4% in Q3. Screwfix continued to grow its market share in FY 22/23, with strong gains in the year. Screwfix's e-commerce sales decreased by 9% year-on-year, again reflecting a resilient performance against strong online trading in the first half of the prior year. E-commerce sales were up 137% on a 3-year basis, with e-commerce sales penetration of 60% (FY 21/22: 67%; FY 19/20: 33%). The business continued to strengthen its digital proposition throughout the year through the introduction of digital tablets in all stores, the launch of its product recommendations feature in the new Screwfix app, and the continued roll-out of Screwfix Sprint.

Space growth contributed c. 5% to total sales. In FY 22/23, Screwfix opened 82 new stores (including 10 in Ireland), bringing the total to 872 as of 31 January 2023. The business remains on track to reach its target of over 1,000 stores in the UK & Ireland in the medium term.

Trading review by division continued

As part of its international expansion plans, Screwfix launched as a pure-play online retailer in France in April 2021. Following encouraging results and learnings over an 18-month period, including customer NPS scores on a par with Screwfix UK, the business opened its first store in France in October 2022 and ended the financial year with five stores in operation. During the year, the business successfully implemented a tailored IT operating system, opened its first French distribution centre, onboarded a strong selection of local and national vendors, and accelerated its marketing efforts. The results for Screwfix International are captured in 'Other International' – see below for further information.

France

£m	2022/23	2021/22	% Reported Change	% Constant Currency Change	% LFL Change	% 3-year LFL Change
Castorama	**2,302**	2,296	+0.3%	+0.1%	–	+13.9%
Brico Dépôt	**2,150**	2,202	(2.4)%	(2.5)%	(2.9)%	+12.5%
Total sales	**4,452**	**4,498**	**(1.0)%**	**(1.2)%**	**(1.4)%**	**+13.2%**
Retail profit	**195**	**221**	**(11.9)%**	**(12.0)%**		
Retail profit margin %	**4.4%**	4.9%	(50)bps	(50)bps		

Kingfisher France sales decreased by 1.2% (LFL -1.4%) to £4,452 million, against strong prior year comparatives in H1. In H2, total sales increased by 0.5% (LFL +0.5%). A resilient sales performance in DIY categories was outpaced by sales from DIFM/trade categories. 3-year LFL sales for the year were up 13.2%. The 3-year sales trend slowed to +10.9% in Q4 (versus +14.6% in Q3) due to a significantly stronger 3-year comparative in Q4 19/20 relative to the first nine months of FY 19/20. France LFL sales in Q4 19/20 were over eight percentage points higher than the first nine months of FY 19/20. Castorama and Brico Dépôt continued to focus on strengthening their respective competitive positions in the market through improving their digital capabilities, product ranges and overall customer proposition, resulting in higher store and online NPS scores. Gross margin % decreased by 30 basis points, largely reflecting category mix impacts. In H2, we completed our work to optimise distribution centre space in France, resulting in a cumulative reduction of c. 27% in square metres versus two years ago.

Retail profit decreased by 12.0% to £195 million (FY 21/22: £221 million; FY 19/20: £164 million; at reported rates), with lower gross profit partially offset by lower operating costs. Operating costs decreased by 0.6% due to lower staff costs and cost reductions achieved by our strategic cost reduction programme, substantially offset by operating cost inflation including increases in pay rates and significantly higher energy costs. Retail profit margin % decreased by 50 basis points to 4.4% (FY 21/22: 4.9%; FY 19/20: 4.0%).

Castorama

Castorama total sales increased by 0.1% (LFL flat) to £2,302 million, reflecting resilient sales despite strong prior year comparatives in H1. Sales trends improved in H2 (LFL +0.7%) with positive LFL growth in the EPHC and building & joinery categories supported by energy efficiency and trade/renovation activity. 3-year LFL sales for the year were up 13.9%. The business achieved growth across all categories on a 3-year basis, with particularly strong performances in the outdoor and building & joinery categories, both up by c. 30%. LFL sales of weather-related categories were broadly flat (increase of 24% on a 3-year LFL basis), while LFL sales of non-weather-related categories, including showroom, were also flat (increase of 11% on a 3-year LFL basis). Castorama's e-commerce sales decreased by 19% year-on-year, largely reflecting strong online trading in the first half of the prior year. In H2, e-commerce sales increased by 27% year-on-year. Castorama's e-commerce sales were up 240% on a 3-year basis, with e-commerce sales penetration of 5% (FY 21/22: 6%; FY 19/20: 2%). Castorama opened two new stores in FY 22/23; its first high street compact store tests in Paris. As of 31 January 2023, Castorama had a total of 95 stores in France.

Brico Dépôt

Brico Dépôt total sales decreased by 2.5% (LFL -2.9%) to £2,150 million, again reflecting resilient sales levels against strong prior year comparatives in H1. Sales trends improved in H2 (LFL +0.2%) with positive LFL growth in the EPHC, building & joinery and kitchen. 3-year LFL sales for the year were up 12.5%. The business achieved strong growth across its outdoor, building & joinery and EPHC categories on a 3-year basis. Brico Dépôt continues to strengthen its discounter credentials through further differentiating its ranges and maintaining a strong price index relative to its home improvement peers. Brico Dépôt's e-commerce sales decreased by 20% year-on-year, again reflecting strong online trading in the prior year. In H2, e-commerce sales increased by 7% year-on-year. Brico Dépôt's e-commerce sales were up 133% on a 3-year basis, with e-commerce sales penetration of 4% (FY 21/22: 5%; FY 19/20: 2%). In FY 23/24, Brico Dépôt France will test its first ever compact store – a 1,000 sqm format.

Other International

Sales (£m)	2022/23	2021/22	% Reported Change	% Constant Currency Change	% LFL Change	% 3-year LFL Change
Poland	**1,734**	1,525	+13.7%	+16.7%	+13.8%	+19.8%
Iberia	**373**	366	+2.0%	+1.9%	+1.9%	+16.7%
Romania[1]	**285**	279	+1.8%	+1.7%	+7.8%	+38.0%
Other[2]	**15**	10	n/a	n/a	n/a	n/a
Other International	**2,407**	**2,180**	**+10.4%**	**+12.4%**	**+11.2%**	**+21.5%**

Retail profit (£m)				
Poland	**148**	135	+9.4%	+12.4%
Iberia	**9**	12	(27.9)%	(28.0)%
Romania[1]	**(10)**	(11)	+7.3%	+7.4%
Other[2]	**(30)**	(10)	n/a	n/a
Turkey (50% JV)	**8**	7	+19.8%	+114.8%
Other International	**125**	**133**	**(6.6)%**	**(1.8)%**

Retail profit margin %				
Poland	**8.5%**	8.8%	(30)bps	(30)bps
Other International	**5.2%**	**6.1%**	**(90)bps**	**(70)bps**

1. Kingfisher's subsidiary in Romania historically prepared its financial statements to 31 December. In the prior year (FY 21/22), Romania migrated to Kingfisher's financial reporting calendar (year ended 31 January). Its sales and retail loss presented in FY 21/22 therefore included one additional month of results (January 2022) in order to facilitate the alignment to Kingfisher's financial reporting calendar. Reported and constant currency variances for Romania's total sales and retail loss are for February 2022 to January 2023 (compared against January 2021 to January 2022), whilst LFL and 3-year LFL sales growth compares equivalent periods in the current and prior years.
2. 'Other' consists of the consolidated results of Screwfix International, NeedHelp, and results from franchise agreements.

Other International

Total sales increased by 12.4% (LFL +11.2%) to £2,407 million, with 3-year LFL sales up 21.5%, driven by growth in all key geographies. Retail profit decreased by 1.8% to £125 million (FY 21/22: £133 million; FY 19/20: £123 million; at reported rates), largely due to an increase in losses incurred in 'Other' operations, driven by investment in Screwfix France, and a lower retail profit in Iberia. This was substantially offset by higher retail profit in Poland. The retail profit margin % decreased by 70 basis points to 5.2% (FY 21/22: 6.1%; FY 19/20: 5.3%).

Poland

Total sales increased by 16.7% (LFL +13.8%) to £1,734 million, against a prior year comparative impacted in Q1 by the Covid-related temporary closure of all Castorama stores (between 27 March and 3 May 2021). Notwithstanding this, Castorama continued to attract new customers and achieved strong market share gains in FY 22/23 by leveraging its leading market position and competitive pricing, supported by robust sales of DIY and DIFM/trade categories. On a year-on-year basis, nearly all categories achieved double-digit LFL sales growth, with a standout performance in the kitchen category where its new OEB kitchen ranges delivered over 40% LFL sales growth. 3-year LFL sales for the year were up 19.8%. The business achieved good growth across all categories on a 3-year basis, in particular its building & joinery, outdoor, EPHC and kitchen categories. LFL sales of weather-related categories increased by 20% (increase of 34% on a 3-year LFL basis), while LFL sales of non-weather-related categories, including showroom, increased by 13% (increase of 18% on a 3-year LFL basis).

Castorama's e-commerce sales increased by 2% year-on-year, with growth of +11% in H2. Castorama's e-commerce sales were up 285% on a 3-year basis, with e-commerce sales penetration of 5% (FY 21/22: 5%; FY 19/20: 2%).

Gross margin % decreased by 30 basis points, largely reflecting 'normalised' promotional activity versus the prior year. Retail profit increased by 12.4% to £148 million (FY 21/22: £135 million; FY 19/20: £151 million; at reported rates) with growth in gross profit partially offset by an increase in operating costs. Operating costs increased by 16.8%, reflecting staff and operating cost inflation including higher energy costs, space growth and new store opening costs, and higher marketing costs. The increase in operating costs was partially offset by cost reductions achieved by our strategic cost reduction programme. Retail profit margin % decreased by 30 basis points to 8.5% (FY 21/22: 8.8%; FY 19/20: 10.4%).

Space growth contributed c. 3% to total sales. Castorama opened seven new stores in FY 22/23, including three big-boxes and four compact stores, bringing its total to 97 stores in Poland.

Trading review by division continued

Iberia

Total sales increased by 1.9% (LFL +1.9%) to £373m, reflecting resilient sales against strong prior year comparatives. The business achieved good year-on-year growth in its EPHC, building & joinery and kitchen categories. 3-year LFL sales for the year were up 16.7%, with strong performances in building & joinery and outdoor, both up by c. 30%. Retail profit decreased to £9 million (FY 21/22: £12 million; FY 19/20: £2 million; at reported rates), reflecting a lower gross margin % and an increase in operating costs of 1.2%.

Romania

Total sales increased by 1.7% to £285 million, despite the inclusion of one additional month of sales in the prior year comparative and the impact of Covid-related trading restrictions earlier in the year (lifted in March 2022). On a LFL basis sales growth was +7.8%, reflecting strong year-on-year performances in the outdoor, surfaces & décor and kitchen categories. 3-year LFL sales for the year were up 38.0%. Growth in gross profit was partially offset by an increase in operating costs of 7.1%, mainly driven by staff costs and operating cost inflation including higher energy costs. As a result, the business reduced its retail loss by 7.4% to £10 million (FY 21/22: £11 million reported retail loss; FY 19/20: £23 million reported retail loss). On a comparable basis, excluding losses incurred in the month of January 2021, Romania's retail loss increased by 6.8% year-on-year.

Turkey

In Turkey, Kingfisher's 50% joint venture, Koçtaş, continued to grow successfully against a challenging macroeconomic backdrop. The business contributed £8 million of retail profit in the year (FY 21/22: £7 million; FY 19/20 £9 million; at reported rates). The business opened 129 mostly compact stores in their financial year to 31 December 2022, bringing its total store count to 355.

'Other'

'Other' consists of the consolidated results of Screwfix International, NeedHelp, and franchise agreements. Due to these businesses being in their early investment phase, a combined retail loss of £30m (FY 21/22: £10m reported retail loss) was recorded, largely driven by Screwfix France as the business invested in the opening of its first distribution centre and stores. As noted in the UK & Ireland commentary above, Screwfix opened its first five stores in France following encouraging results as a pure-play only operator. During the year, we also opened two franchise stores under the B&Q banner in the Middle East. The stores and support office functions are fully operated and staffed by the Al-Futtaim Group.

Retail banner employees, store numbers and sales area

	Employees (FTE) at 31 Jan 2023	Store numbers at 31 Jan 2023	Sales area[1] (000s m²) at 31 Jan 2023
B&Q	16,413	316	2,203
Screwfix	9,380	872	55
UK & Ireland	**25,793**	**1,188**	**2,258**
Castorama	10,509	95	1,156
Brico Dépôt	8,238	123	872
France	**18,747**	**218**	**2,028**
Poland	12,136	97	817
Iberia	1,777	31	195
Romania	2,542	33	238
Other[2]	143	5	–
Other International	**16,598**	**166**	**1,250**
Total	**61,138**	**1,572**	**5,536**

1. Screwfix sales area relates to the front of counter area of an outlet.
2. 'Other' consists of Screwfix International, NeedHelp, and franchising.

Risks

Risk management

Effective risk management is critical to our ability to achieve our strategic and operational objectives. We have a detailed risk framework in place that ensures the Board performs a robust risk assessment to have sufficient visibility of the principal risks and the opportunity to regularly review our mitigating controls and actions. This is informed by the Group Executive, who is accountable for identifying, assessing and managing the principal risks and for reviewing and assessing the management of the retail banner and Group function risks.

The Governance framework and the role of the Board, Audit Committee and Group Executive are set out from page 62.

To **identify our risks**, we consider our strategic objectives and what might stop us achieving them over the three-year period. We combine a top-down strategic view with a bottom-up operational view of the risks. Our retail banners and Group functions help us to identify changes to the risks within their operations. These are consolidated and used as one of the inputs to identify and validate our principal risks. Discussions are also held with the Group Executive, both individually and collectively, and non-executive directors.

To **assess our risks**, we consider the potential financial, reputational, regulatory or operational impact, as well as the probability of them materialising within our three-year outlook period. This helps us to create the right actions and controls to manage our risks to an acceptable level. For each of the principal risks, we also assess any change to the risk level compared to last year.

To **manage our risks**, ownership is assigned at all levels. Each retail banner and Group function is responsible for putting appropriate actions, controls and procedures in place to manage and monitor their identified risks and to verify that the controls operate effectively.

To effectively **monitor our risks**, the Group Executive and Board review the nature, likelihood and impact of the Group's principal risks twice a year together with any changes since the previous review. This includes mitigating actions to ensure that these risks are proactively managed.

Our dedicated Risk and Control Managers are embedded in the retail banners, Group functions and shared services continue to implement the revised internal control framework. The design assessments have been completed and controls have been adjusted where required. We are now ready to move to a first cycle of full testing to monitor the ongoing effectiveness of our controls.

The Internal Audit team considers the risks at the operational and Group level as part of its quarterly audit planning cycle, to provide timely assurance of the most significant risks across the business. Insights from the risk management process support Internal Audit to deliver a risk-focused assurance programme, a key example from the year being the high-velocity risk exercise, mentioned below.

Risk appetite

The Group Risk team performed a comprehensive review of our risk appetite last year to understand where we actively choose to pursue opportunities that give rise to risks, where we balance risks with the cost of mitigation, and where we are unwilling to accept risks. This highlighted a small number of activities where risk reduction actions were necessary to ensure the level of risk we are exposed to is in line with our appetite. As part of our review of risk appetite this year, an assessment of these actions was performed to ensure plans are progressing as expected.

High-velocity risks

An exercise was performed during the year with the Group Executive to identify our high-velocity risks – those unexpected risks or events which could impact the company at pace, providing little time to react and so causing significant disruption. Analysis was conducted to ensure we had appropriate response plans, in addition to the usual controls to reduce the impact and likelihood. The exercise did not identify any new risks and confirmed the adequacy of the existing mitigations. Discussions were subsequently held to improve the wider understanding of some of our Group response plans.

Business continuity planning

The Group's Business Continuity policy was updated and approved in the year, formalising a consistent set of requirements across the Group. This was a key part of the mitigation against several of our high-velocity risks. The Group Risk team worked with all banners and Group functions to ensure their plans had been reviewed in the year and testing plans had been formalised.

Risks continued

Principal risks

Following a comprehensive review, our existing principal risks remain broadly unchanged, with the addition of **climate change** as a principal risk. Other adjustments reflect progress made in delivering our strategy and changes in the external operating environment. These are included in the descriptions of risks and mitigating actions.

All principal risks are given significant attention and focus. We believe the highest severity risks are:

– Responding to changing customer preferences.
– Geopolitical instability creating macroeconomic volatility.
– Cyber and data security.

The key changes this year are:

Climate change: This has been added as a new risk. Climate change is a huge global challenge that requires significant actions by governments and businesses, including Kingfisher. Our analysis (see Our response to the Task Force on Climate-related Financial Disclosures from page 27) demonstrates a limited impact on our activities over our three-year planning horizon. However, if climate change solutions are not effective, this will have longer-term negative consequences for our strategy and affect our ability to serve our customers, including challenging our product availability, supply chain, reputation and cost to operate.

Geopolitical instability creating macroeconomic volatility: This risk has increased since last year. Previously called 'political and market volatility', it has been broadened to incorporate risks from global events/conflicts. Furthermore, there is an increased risk of macroeconomic volatility across all our markets. Sustained or accelerating inflationary pressures or other market disruptions could result in local market or global decrease in demand and potential recessions.

Level and impact of change: This risk has decreased since last year. We are three years into our change programme and have demonstrated a good track record of delivery, implementing many structural and foundational changes. However, we still need to manage delivery of our investment programme, which requires significant levels of technology development and implementation.

Our people: This risk has also decreased since last year. We have improved mitigation plans over our people strategies, which are integrated into each business unit. However, we need to ensure we have the technological capabilities required to deliver our investment programme, whilst also delivering our inclusion and diversity ambitions.

Principal risks are shown on pages 53 to 58.

Emerging risks

As part of our risk management process, we identify and monitor emerging risks. These risks are currently difficult to fully assess and quantify or are expected to materialise outside our defined outlook period.

We have a thorough process to capture emerging risks across our retail banners. Alongside their risk identification process, each banner was asked to consider what future risks they were concerned by, and what they were doing to better understand them.

The banner reviews did not reveal any new emerging risks. They did however lead to a refocusing of the **Geopolitical instability creating macroeconomic volatility** risk (see above).

Our industry moves at pace, and so many emerging risks raised by companies in different industries are already reflected in our principal risks. We will continue to scan the horizon for emerging risks in the future through our regular risk reviews.

Principal risks

Key: Increasing No change Decreasing New

1 Our people

Our colleagues are critical to the successful delivery of our 'Powered by Kingfisher' strategy and priorities, which aim to expand our functional capabilities to address the changing needs of our customers. Failure to attract the required level of colleagues with appropriate skills could impact our ability to deliver our strategic priorities at the pace required. This risk is particularly critical for our technology and digital functions.

More generally, we have set ambitious Inclusion and Diversity targets, aimed at making Kingfisher an even better place to work and increase our innovation and creativity. Failure to meet these targets could have a negative impact on delivering our business objectives and cause reputational damage.

How our risks have changed

Decreased
Each banner has a clear people strategy, setting out their plans for securing their required talent. Our colleague turnover rates and time to hire are stable and are stronger than our industry peers.

Link to strategic priorities

- Accelerate e-commerce through speed and choice.
- Build a data-led customer experience.
- Lead the industry in Responsible Business and energy efficiency.
- Human, agile and lean.
- Grow by building on our different banners.

How we manage and monitor the risk

- The Board has approved our Group strategy for people and culture, with individual priorities agreed for each banner and function.
- The Group Executive and Board hold regular talent reviews focused on ensuring senior leadership has the required capabilities to deliver the strategy and activities to strengthen our leadership succession pipeline.
- Dedicated Technology careers webpage and a formal Technology Capability programme in place to ensure continued focus and progress on acquiring and retaining critical skills.
- As part of our technology transformation, we are taking action to attract new capabilities in-house and reduce dependence on third parties.
- Investing in tools and infrastructure to support our colleagues' learning, including a leadership development portal for bite-size instant learning and e-learning for our store teams on new products.
- Continue to embed our key leadership behaviours through our leadership development work. This will accelerate delivery of our strategy and embed our agile and inclusive culture led by trust.
- Each banner has a tailored inclusion and diversity plan. Areas of focus are our senior leadership, creating a culture of inclusion, our customer proposition and learning for life. Relevant targets are linked to the remuneration of senior leaders.

2 Level and impact of change

We continue to execute our strategy at pace and invest for growth. Under our strategic plan, the business is utilising its core strengths and commercial assets, and 'powering' its distinct retail banners to address the significant growth opportunities that exist within the home improvement market. We have high ambitions and are continuously improving our offer, market positions, cost base and technology. In particular, we are evolving our IT systems development programme to better meet banner needs and serve the customer.

Where relevant we may also consider complementary acquisitions, partnerships and joint ventures to optimise our business activities and support our strategy.

Failure to properly prioritise activity and manage change effectively could result in weaker than anticipated sales growth, reduced operating margins or insufficient cash being generated to meet our objectives.

How our risks have changed

Decreased
We have demonstrated a good track record of delivery against our strategic objectives, landing many structural and foundational changes and initiatives. Focus needs to be kept on the capacity of teams to deliver future projects at pace.

Link to strategic priorities

- Accelerate e-commerce through speed and choice.
- Build a data-led customer experience.
- Roll out compact store formats.
- Develop trade business.
- Human, agile and lean.
- Grow by building on our different banners.

How we manage and monitor the risk

- The Board has approved three-year plans for each banner and Group functions to deliver the strategy.
- A balanced and simple local-group operating model is in place.
- Central Results Delivery Office provides monthly reporting to the Group Executive and quarterly to the Board, based on a set of c. 50 KPIs, measuring the implementation and effectiveness of strategic initiatives.
- Each of our key strategic pillars is led and monitored by one of our banners or Global Functions, with monthly review points with the Group Executive sponsor.
- Annual in-depth strategic review and six-monthly strategic performance updates performed with the Board, addressing the agreed priorities and making changes where appropriate.
- We develop a detailed annual IT roadmap that ensures investments are aligned with our priorities and resources. Progress against the roadmap is monitored and adjustments made as needed.
- Technology directors have been appointed in our retail banners to provide more local flexibility while leveraging the scale of our wider Group Technology organisation.
- Regular communication with all colleagues on the delivery of the strategy, key changes being made and forthcoming business developments.
- Periodic reviews of governance and enabling activities undertaken by Internal Audit.
- Dedicated M&A function, with accountability resting with the CFO. M&A activity exceeding £10 million in value requires Kingfisher plc Board scrutiny and approval.

Principal risks continued

3 Contagious diseases

Despite the wide rollout of vaccines and the recent reversal of China's 'zero-Covid' policy, a level of uncertainty still remains. New and more transmissible variants of Covid-19 may emerge or we could be faced with other contagious diseases. Although significantly reduced, the risk of a prolonged global health threat and associated government restrictions remains, which could adversely affect our operations and those of our partners and suppliers. This could cause a significant reduction in footfall and consumer spending and could negatively impact our ability to receive products from affected suppliers. High levels of absence in either our workforce or our suppliers could impact our ability to operate stores and warehouses, deliver products or provide appropriate functional support to our business.

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

How our risks have changed

No change
We have demonstrated our ability to protect our colleagues and serve customers while continuing to operate in challenging circumstances and are better prepared to react should a new pandemic occur. However, there is still a level of uncertainty.

Link to strategic priorities

- Human, agile and lean.

How we manage and monitor the risk

- Continuously monitor events to ascertain any increased risk of a resurgence of Covid-19 infections or other contagious diseases.
- We have Group Crisis Committee and business continuity and crisis teams in each of our markets, which we would mobilise in the event of any future significant operational impact.
- Gained significant knowledge about how to deal with a future pandemic. The measures taken as part of the recent pandemic (including strict hygiene and appropriate social distancing measures in stores) would, where applicable and effective, be reintroduced to ensure the health and safety of our colleagues and customers.
- If required, we are able to significantly reduce discretionary spend (including freezing pay reviews, delaying bonus payments and/or recruitment), stop all non-committed capital expenditure, reprioritise sourcing requirements and adjust purchasing plans.

4 Supply chain resilience

A resilient supply chain is key to our business and the achievement of our strategic objectives. We are dependent on complex global supply chains and fulfilment solutions to deliver our products to our customers. We are also reliant on the ability of our suppliers to respond quickly to changes in demand and to be financially resilient, particularly to fluctuations in energy prices, and in certain areas, energy rationing. Major disruption to our supply chain could result in reduced levels of product availability, with an adverse financial and reputational impact.

How our risks have changed

No change
We have seen a continued increase in the supply network capacity and a reduction in sea freight costs. We continue to engage regularly with our suppliers to understand how the current economic volatility is managed to ensure it does not affect operations.

Link to strategic priorities

- Differentiate and win through OEB.
- Human, agile and lean.
- Accelerate e-commerce through speed and choice.
- Develop trade business.

How we manage and monitor the risk

- Our Supply and Logistics three-year roadmap was updated in 2022/23. It considers our future logistics capacity needs, based on the various sourcing, inventory and sales-generative strategies identified in the Group's strategic planning activities.
- Business continuity plans are updated regularly, covering our internal points of failure and key partner service-continuity plans. The actions include a response to supplier and logistics failures, and plans were tested live as part of our Covid-19 response activities.
- Established partnerships with key transportation and logistics suppliers to align planning and secure capacity.
- Extended our demand forecasting to better anticipate future sales requirements and worked with suppliers to ensure product availability.
- Invest in supply chain visibility tools to be able to better monitor products as they move through the supply chain and react to events.
- Continued the implementation of store-based fulfilment for customer orders to support the business operation and the increased demand since the pandemic.
- For our OEB suppliers, we have an agreed supplier strategy including initiatives to diversify our 'sourcing footprint' and exploit more near-sourced suppliers, guidance on choosing which regions to source from and when to use more than one factory or supplier to increase resilience.
- Robust process for selecting individual suppliers. This includes checks on financial strength, ethical and environmental risks and their ability to manufacture the products to the agreed specification.
- Continually review key suppliers by category to establish capacity and volumes and assess the impact of an interruption in supply.

5 Competitor behaviour

Our competitors include both traditional store-based and pure-play online retailers. Over the past years, we have seen an increase in online penetration in the home improvement market, including through marketplaces. Competitors are also developing their offers, including both fulfilment options and the services offered.

Targeted actions or disruptive behaviour by competitors could negatively impact our market share, the value of our assets and our financial results.

How our risks have changed

No change
Against a challenging backdrop, we have continued to execute strongly, with sales outperforming home improvement industry growth in our markets and significantly ahead of pre-pandemic levels.

Link to strategic priorities

- Accelerate e-commerce through speed and choice.
- Build a data-led customer experience.
- Differentiate and win through OEB.
- Roll out compact store formats.
- Develop trade business.
- Grow by building on our different banners.

How we manage and monitor the risk

We are building a differentiated offer through:

- Clear positioning for each of our banners, with different operating models to address diverse customer needs, such as general DIY needs, trade-focused and discounters.
- Extending our online presence, tripling our e-commerce sales over the last few years. Most recently we successfully launched e-commerce marketplaces in the UK, Spain and Portugal.
- Centrally developing our OEB brands, with clearly defined range principles and customer projects to create a differentiated and compelling offer.
- Leveraging the autonomy of local banners by allowing local ranges, services and store formats that are tailored to customers' needs.
- Competing on price by using the scale of our Group to benefit from volume and lower purchase prices.
- Tailoring trading actions to local markets, through distinct customer communications, promotions and loyalty schemes to increase sales and brand loyalty.

We regularly monitor our market share, our performance and that of our competitors, to react quickly to targeted actions via:

- Comparison of price indices versus competition in our key categories and measuring customer price perception on a regular basis.
- Customer trend monitoring in all our markets to anticipate and develop an appropriate offer.
- Monitoring Net Promotor Scores (NPS) with targets to improve the customer experience and satisfaction.

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6 Responding to changing customer preferences

The pace of change remains high, with a greater use of e-commerce solutions for Click & Collect and home delivery. To make our products available to customers where and when they want it, we need innovative digital channels supported by an agile and reliable infrastructure, a robust logistics capability and an optimised property portfolio with in-store services.

Failure to identify and respond to new trends effectively with pace could affect our ability to stimulate spend and adversely impact the value of our assets and our financial results.

How our risks have changed

No change
Our commercial operating model affords banners autonomy, allowing them to rapidly identify and react to changes in customer trends. However, a significant risk remains that we are not able to deliver the required changes fast enough or that the changes are not sufficiently compelling for our customers.

Link to strategic priorities

- Accelerate e-commerce through speed and choice.
- Build a data-led customer experience.
- Differentiate and win through OEB.
- Roll out compact store formats.
- Lead the industry in Responsible Business and energy efficiency.
- Develop trade business.
- Human, agile and lean.
- Grow by building on our different banners.

How we manage and monitor the risk

- Customer and Market Intelligence team continuously monitors and gathers insights, with regular updates to the Group Executive, the Board and the wider business. We also have teams focused on customer data and digital experience, so that we can better understand the behaviour of our customers and provide them with personalised omnichannel experiences.
- Based on customer and banner feedback, we extend and refresh our OEB ranges, particularly in the area of sustainability and energy efficiency.
- A Group digital strategy has been developed and approved by the Board, with various priority programmes underway.
- Technology Product Board meets quarterly, to monitor financial and project portfolio performance and to prioritise upcoming digital initiatives.
- Launched numerous strategic programmes to accelerate e-commerce, focusing on putting stores at the centre of our fulfilment model. We continue to expand the range of do-it-for-me services available to customers to help them complete projects, including offering energy diagnostic and project support services in the UK and France.
- Along with the B&Q marketplace in the UK which continues to grow, we have successfully launched marketplaces in Spain and Portugal, offering more product choice to customers, reducing risks for availability and following consumer trends as part of the overall online marketplace growth strategy.
- Created a Group Centre of Excellence for online marketing and digital trading that monitors digital consumers' demand, searches and customer acquisition costs to quickly identify changes and opportunities.
- Continued to develop our understanding of compact store formats and concessions, with a variety of test concepts live in a range of locations across the UK, France and Poland. As of 31 January 2023, we had 41 compact store tests across four banners, providing us with strong learnings for future blueprinting and conceptualisation.

Principal risks continued

7 Geopolitical instability creating macroeconomic volatility

Kingfisher operates in eight countries across Europe and relies on a global supply base, exposing us to both geopolitical uncertainty and local volatility. Disruption could include government restrictions on mobility, strikes, work stoppages and/or our ability to receive products from affected countries. These impacts could potentially disrupt the day-to-day operations of our business and our ability to meet our strategic objectives.

Recent geopolitical events have created uncertainty in economic markets, with rising energy prices fuelling inflation. In addition, our markets could be indirectly impacted by recent volatility in the financial sector. This uncertainty and volatility could change customer behaviours and reduce consumer confidence. This could negatively impact the demand for our products and services. If governments try to reduce their budget deficits through further taxation, this will create additional burdens on businesses.

How our risks have changed

Increased
Macroeconomic volatility has increased across all our markets as a result of recent geopolitical instability, with further cost price inflation affecting salary and energy costs. This is also causing uncertainty over future levels of demand. Geopolitical events could also disrupt our supply chain and/or limit the availability of certain raw materials.

Link to strategic priorities
- Differentiate and win through OEB.
- Grow by building on our different banners.

How we manage and monitor the risk

Monitoring and engagement activities
- Our Corporate Affairs team actively monitors the political and economic situations in the countries in which we operate or which may impact our operations. This is supported by membership of key business trade associations in every market. We also continuously monitor our exposure to financial institutions to ensure our risk is minimised.
- Strategies are in place to identify, monitor and influence changes to legislation that may impact our business.
- Crisis management processes and teams are in place to monitor and manage situations as they arise.
- Actively monitor our sourcing from large suppliers by region and work to diversify our sourcing options where appropriate. Our global buying offices and supply chain teams are focused on ensuring we maintain appropriate levels of product availability through periods of disruption.

Mitigation activities
- Strong and distinct banners, with each able to set the right product offer and pricing to meet our customers' appetite for spending and to respond in a flexible way to changes in the environment.
- Our OEB, which represent 45% of our sales, offer particularly great value for customers.
- Banner and Group sourcing offices focused on securing competitively priced supplies.
- Access to significant committed liquidity facilities and debt funding, through drawn term loans and the ability to issue debt into the capital markets through its European Medium-Term Note (EMTN) programme.
- Cash holdings are diversified across a number of financial institutions (for which credit risk is closely monitored).
- An appropriate and prudent mix of hedging policies, cash deposits and debt financing to minimise the impact of foreign exchange currency volatility on the company.
- Continually investing to reduce our energy usage and increase our efficiency. In recent months, our banners and Group entities have put in place additional energy-saving measures. Our Group hedging policy reduces our exposure to energy price fluctuations and provides regular reporting for oversight.
- Launched energy-saving tools in the UK and France, to help customers diagnose and access products and services to increase the efficiency of their homes ahead of the winter.

8 Cyber and data security

Cyberattacks and security incidents continue to present a risk for organisations with an online presence. We proactively manage our risk profile and will continue to do so as we deliver on our strategy and as our digital presence evolves.

Failure to protect data, detect breaches and respond accordingly would negatively impact our operations, profitability and reputation.

How our risks have changed

No change
This risk remains one of our top three risks. The sophistication and organisation of cyberattacks continues to grow, with significant focus on the retail sector.

Link to strategic priorities
- Accelerate e-commerce through speed and choice.
- Build a data-led customer experience.

How we manage and monitor the risk
- Cyber security continues to receive Group Executive-level sponsorship and Board focus.
- Continue to make investments in support of our IT security roadmap.
- Regular review of the cyber threats facing Kingfisher and work with security partners to evaluate and implement appropriate controls.
- Assessments and exercises held to prepare for security incidents up to and including Board level.
- Commissioned continuous independent assurance to monitor progress against our strategy and to ensure we meet our maturity milestones.
- All technology development goes through a 'Secure by Design' process to ensure solutions and data are secure and adhere to compliance and regulation requirements.
- Perform security assurance of third parties that process our data across all functions and banners.
- Recognising the importance of the role our colleagues play in protecting the organisation, we are delivering an education and awareness strategy tailored to roles and responsibilities.
- Robust major incident management process in place, and we maintain a third-party retainer for incident response, breach, and forensic expertise.

9 Legal and regulatory

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

How our risks have changed

No change

Link to strategic priorities

- Lead the industry in Responsible Business and energy efficiency.

How we manage and monitor the risk

Policies and procedures

- Policies and procedures are in place, clearly stating our expectation to carry out our business fairly and with complete integrity.
- Due diligence processes are in place over our third parties, covering risks such as sustainability, business integrity, data protection and information security as applicable. Internal audit conduct periodic reviews of these processes.
- A whistleblowing policy and hotline, facilitated by an independent third party, are in place across the Group. Speak Up Champions have been appointed in all banners to ensure that all ethical concerns raised via our whistleblowing system are followed up and investigated appropriately.

Training and communication

- Targeted Group-wide mandatory compliance training is refreshed annually, with modules on our Code of Conduct (including anti-bribery and corruption), GDPR, Competition Law and the Market Abuse Regulation.

Oversight and reporting

- Our Legal and Compliance network is well established, for teams at Group and banners to work and communicate together.
- The Group Ethics and Compliance Committee (GECC) ensures that the Group approach to ethics and compliance is adequate and effective. This includes approving compliance training and reviewing the outcomes of investigations. Local Ethics and Compliance Committees (LECC) have been implemented in all banners to ensure a consistent approach across the Group.
- The Disclosure Committee is in place to address our Market Abuse Regulation obligations.
- Whistleblowing statistics and trends are monitored in each LECC and reported to the GECC, Audit Committee and Board annually.

10 Reputation and trust

Our customers, colleagues, suppliers, investors and the communities we source from and operate in expect us to conduct our business in a way that is responsible and in everyone's long-term interest. One of the many ways we strive to ensure this is through our publicly communicated Responsible Business strategy and targets, covering topics such as how we help our customers' homes become more sustainable, responsible sourcing and diversity (for further details please refer to Responsible Business on pages 23 to 26).

Failure to deliver on our obligations and commitments, or material breaches of our policies or controls, could undermine trust in Kingfisher, damage our reputation and impact our ability to meet our strategic objectives.

How our risks have changed

No change
The level of scrutiny and expectations from our stakeholders remains high, with social media networks amplifying criticism so fast that the opportunity to provide an effective response is limited.

Link to strategic priorities

- Lead the industry in Responsible Business and energy efficiency.
- Human, agile and lean.

How we manage and monitor the risk

Governance

- The Responsible Business Committee leads and oversees the delivery of the Responsible Business strategy. It is chaired by a non-executive director and includes the Chief Executive Officer.
- Our Code of Conduct establishes the core behaviours we expect of ourselves and others, including our suppliers.

Stakeholder dialogue

- Monitoring of external stakeholders' views of the Group and all banners through traditional and digital media.
- For colleagues, we have forums, committees and working groups in all of our businesses, including a collective forum that meets with the CEO and members of the Board.
- Externally, we have regular engagement with a range of NGO partners in our key markets, which helps to ensure that the company remains close to social and environmental concerns.

Due diligence and external assurance

- Our due diligence of suppliers and partners covers a range of ESG issues, from environment to modern slavery. This includes our policy framework and supplier standards which we expect suppliers to adhere to, supplier training and capacity building and auditing of high-risk suppliers.
- Our due diligence extends to the data we disclose. Selected ESG data in the annual Responsible Business Report and Modern Slavery Transparency Statement is independently audited by DNV.
- Independent ratings agencies also monitor and rate our ESG performance throughout the year, including MSCI, CDP, Sustainalytics and ISS ESG.

Principal risks continued

11 Climate change

Climate change will have negative consequences on society and businesses without concerted mitigation efforts.

We have identified several climate-related financial and operational risks, which are potentially significant if climate solutions are not effective, even if their impact over our outlook period is limited. These include:

- Cost of carbon increasing, through the introduction and strengthening of national and international carbon policies and pricing mechanisms.
- Physical damage to assets and business disruption from an expected increase in the frequency of extreme weather events.
- Sourcing and supply chain disruption and changes in the availability of key raw materials (such as timber) from long-term climate changes.

Failure to implement appropriate cross-functional responses to these risks could negatively impact our operations and profitability over time.

In response to these challenges, we have created ambitious climate change plans. Failure to deliver on these could damage our reputation.

How our risks have changed

N **New**
Scrutiny on the validity and reliability of our response to climate-related risks continues to increase each year (for details of our commitments, please refer to Responsible Business on pages 23 to 26). This means that we need to constantly focus on ensuring that our approach and efforts to reduce our greenhouse gas emissions in line with climate science are robust and stand up to changing external expectations.

Link to strategic priorities

- Lead the industry in Responsible Business and energy efficiency.
- Differentiate and win through OEB.

How we manage and monitor the risk

- Established a Group Climate Committee to extend oversight and governance for the monitoring of, and response to, Kingfisher's climate-related risks and commitments. The committee is chaired by the Chief Executive Officer, and brings together different parts of the business, to enable co-ordination in our response to climate change.
- Longstanding commitment to reduce our emissions in line with climate science. Our near-term science-based targets for 2025/26 commit us to reducing our scope 1, 2, and 3 emissions in line with global efforts to limit global warming to 1.5°C. In 2022/23 we also announced our commitment to achieving net zero within our own operations by 2040. These targets are supported by decarbonisation roadmaps and capital investment plans.
- Strengthened our Sustainable Home Products (SHP) sales target, to maximise business opportunities from the transition to a net zero future. We are aiming for SHP to account for 60% of Group sales by the end of FY 25/26 and 70% of sales of OEB products.
- Support a number of industry initiatives aimed at inspiring more retailers to act on climate change, such as the UN's Race to Zero Breakthroughs: Retail Campaign (of which we are a founding member) and the British Retail Consortium's Climate Action Roadmap.
- Aligned our climate-related ambitions with our financial performance by linking the delivery of our 2025/26 scope 1 and 2 science-based target to our £550 million Revolving Credit Facility, and to the vesting of our Performance Share Plan.
- Continue to perform climate-related scenario analysis to understand how different climate-related risks could impact us and to continually test the feasibility of our mitigation plans.

See the TCFD section on pages 27 to 35.

Viability statement

Assessment period

The directors consider a viability assessment period of three years to be appropriate given the fast pace of change in both consumer and retail markets. This is consistent with the Group's strategic planning period and the period over which the principal risks are considered. The period to maturity or full implementation and impact for new ranges, stores and technology investments is up to three years. In addition, there are no major renewal or investment commitments expected that go above the current investment level (at most around 3.5% of revenues) beyond the three-year period. The Group's debt repayment profile is not relevant due to the low levels of debt and the revolving credit facility has a three-year horizon. A period of greater than three years is considered too long for financial projections, given the uncertainties involved.

Assessment of prospects

The directors regularly assess the Group's prospects and progress against the strategic objectives set out in its three-year plan.* Our planning process consolidates retail banner strategies to generate a Group-wide plan. This incorporates forecasts of the Group's financial performance that include cash flows which allow the directors to assess both the Group's liquidity and solvency positions, along with adequacy of funding. Sensitivity analysis of the main assumptions underlying the plans is also carried out. The plans are approved by the directors and financial budgets and KPIs are subsequently used to monitor performance during the year via periodic performance reviews.

In its assessment of the Group's prospects, the Board has considered the following:

- **The Group's strategy and how it addresses changing customer preferences.** We continue to evolve and execute our strategy at pace and to invest for growth. We have opened our first Screwfix stores in France and launched the B&Q e-commerce marketplace in the UK, before launching in Spain and Portugal, allowing us to offer more choice to customers and increase digital market share. We have a favourable competitive position, with lower cost fulfilment from store-based picking and a low returns rate with no excess warehouse expansion. We have a strong omni-channel proposition and are investing heavily in new technology to strengthen our online presence and e-commerce propositions. We remain confident in both our long-term growth and cash generation opportunities.
- **The Group's inherent resilience to risk.** The Group has an inherent resilience to risk, provided by the diversified nature of our activities and competitive position. Many of our products are of an essential nature and we have balanced exposure to both DIY and DIFM sides of the market. We continue to grow our customer base, with high rates of revenue retention, and a significant proportion of our sales is linked to repairs and maintenance. Our geographic spread provides us with the ability to withstand political instability or economic downturn in a particular country. We have a diverse product portfolio, including own exclusive brands (OEB) which form 45% of total sales, and have a diversified sourcing footprint (both near and far).
- **Expectations of the future economic environment.** Uncertainty remains over macroeconomic risks and the significant and ongoing direct and indirect impacts of the Ukraine conflict. This has resulted in higher inflation, reduced consumer confidence and governments facing higher budget deficits. However, recent surveys confirm the home improvement market has a strong future, with a high proportion of sales relating to maintenance and repair and a greater interest in energy efficiency. There is continued interest in the market from both younger generations and those working from home. We are benefiting from new industry trends which we believe will endure and provide the opportunity for sustained long-term growth.
- **The Group's financial position.** The Group retains a strong financial position; as of 31 January 2023, Kingfisher had access to over £800 million of liquidity comprising cash and cash equivalents (net of bank overdrafts) of £270 million and access to an undrawn Revolving Credit Facility (RCF) of £550 million (expiring at the end of May 2025, with an option for a one-year extension). This level of liquidity is deemed sufficient for all of the viability scenarios analysed. The Group has low levels of debt and proven robust performance and cash generation in previous recessions.
- **Supplier and supply chain risks.** The Group's supply chain has remained resilient through recent geopolitical uncertainty and product availability continues to improve. While we have some dependency on far-sourced products from Asia, we reduce this risk through dual-sourcing key OEB products whilst also ensuring business continuity plans are updated regularly, covering internal points of failure and key partner service-continuity plans (including a response to supplier and logistics failures).
- **Climate change.** This year we have seen strong sales of energy efficient products, helping our customers reduce their carbon footprints. The Group has set ambitious targets as part of our Responsible Business agenda, including our net zero target by 2040 and becoming Forest Positive by 2025. We continually analyse the potential operational impacts which could affect us so that we can remain proactive by investing early to mitigate these.

Taking these factors into account, we have shown our business model is resilient and we are confident that our strategy is providing a strong foundation for sustainable long-term growth.

Assessment of viability

To assess our viability, we model different scenarios identified by considering the potential impact of individual principal risks and possible combinations (as shown in the table on page 60). Our extensive risk review resulted in the addition of **Climate change** as a principal risk. The additional investments being made to realise our climate targets are already included in the base financial projections used. Therefore, we believe the scenarios used last year remain valid for this exercise. We have updated elements of the scenarios to reflect the progress made in delivering our strategy and for changes in the external operating environment. In total, we used nine of the principal risks in our modelling. They were chosen because they combine to represent plausible scenarios covering a range of different operational and financial impacts on the business.

* This Viability statement should be read in conjunction with the description of the Group's strategy and business model, which are set out on pages 6 to 13.

Viability statement continued

The two principal risks not specifically modelled would have similar impacts to the existing scenarios: the '**Legal and regulatory**' risk could result in a significant financial penalty and related financial pressure similar to scenario 1 (demand/operational shock) and the '**Reputation and trust**' risk could cause a fall in demand similar to scenario 3 (further economic downturn).

In total, four severe but plausible individual scenarios have been created, with a fifth 'collective' scenario, considering the combined impact of scenarios 1, 3 and 4 to model a worst-case hypothetical situation. Theoretically all these scenarios could run together, with different impacts. Although the causes are different, the potential impact of scenario 2 (production and supply chain disruption) is similar to scenario 3 (further economic downturn) and overlaying it on the collective scenario would not make a material difference to the results.

None of the scenarios modelled, including the more extreme and unlikely aggregated scenario, was found to impact the long-term viability of the Group over the assessment period. In assessing each of the scenarios, we have taken account of the mitigating actions available to us, including, but not limited to:

- Reducing discretionary operating spend, such as marketing and travel.
- Reducing non-committed capital expenditure.
- Renegotiating prices and payment terms with suppliers.
- Freezing recruitment and reducing variable incentives.
- Temporary suspension of dividend payments.

Having assessed our current position, principal risks and prospects of the Group and considering the assumptions below, the directors confirm they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year assessment period.

Scenarios modelled	Links to principal risks
Scenario 1 – Demand/operational shock The whole of Kingfisher's operations become subject to a material and unexpected reduction in demand or operational disruption resulting in reduced sales for a period of time (e.g. a future pandemic or prolonged failure of our global IT infrastructure). Assumptions: **Sales:** Reduced sales during a four-week period of severe operational impact, followed by a short period of recovery before returning to prior levels. **Margin:** Margin impacted by fixed distribution costs during disruption period. **Cost:** Minimal cost savings due to the acute nature of the event. **Inventory:** Limited adjustment opportunity given lead times.	**Risk 3:** Contagious diseases **Risk 7:** Geopolitical instability creating macroeconomic volatility **Risk 8:** Cyber and data security
Scenario 2 – Production and supply chain disruption Our suppliers and supply chain continue to be affected through 2023/24 and into 2024/25 by the impact of Covid-19 or events which impact production or supply. Stock availability is severely reduced in several key product categories and logistics costs are significantly increased for others. Suppliers are not able to support the increased sales volumes on key ranges. Assumptions: **Sales:** Negative sales impact with smaller stores most affected (more limited range depth so fewer alternatives). Applied to three-year plan sales for the years 2023/24 and 2024/25. **Margin:** Increased shipping and transportation costs.	**Risk 3:** Contagious diseases **Risk 4:** Supply chain resilience **Risk 11:** Climate change
Scenario 3 – Further economic downturn Prolonged and further downturn in economic conditions across Europe with lower economic activity, higher unemployment and higher inflation resulting in changing customer behaviours, reduced consumer confidence and lower spending. Customers become more price sensitive and price reductions impacting margins are required to manage overstocks. Suppliers of key ranges default on their supply commitments. Governments increase taxes to reduce deficits. Assumptions: **Sales:** Year-on-year sales reduction for a period of 12 months followed by recovery to initial level and then back to growth. **Margin:** Margin reduction for a period of 24 months followed by recovery in third year. **Tax:** 5% tax increase on Group Adjusted PBT for the years 2024/25 and 2025/26.	**Risk 3:** Contagious diseases **Risk 7:** Geopolitical instability creating macroeconomic volatility
Scenario 4 – Failure to execute our strategy We continue to implement our strategy, including planned investments, but this fails to deliver the expected sales growth and margin support. In addition, there is a failure to realise cost-efficiency targets. Assumptions: **Sales:** Non-delivery of planned sales growth from initiatives included in the three-year plan. **Margin:** Non-delivery of margin increases linked to growth in own brand product sales. **Costs:** Non-delivery of efficiency benefits.	**Risk 1:** Our people **Risk 2:** Level and impact of change **Risk 5:** Competitor behaviour **Risk 6:** Responding to changing customer preferences
Scenario 5 – A combination of scenarios 1, 3 and 4 This represents a demand or operational shock, resulting in a short period of reduced income, followed by a further economic downturn. At the same time, our strategy fails to deliver the planned benefits. This is seen as a worst-case scenario and highly unlikely.	As above

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report, including the principal risks of the Group set out on pages 53 to 58. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 39 to 46. In addition, note 25 of the Group financial statements includes the Group's financial risk management objectives and exposures to liquidity and other financial risks.

The directors have considered the above and how they may impact going concern as well as modelling of a remote scenario which assesses the impact on the Group's liquidity headroom of a significant demand or supply shock preventing us from realising a large part of our sales over the period of a month followed by subdued demand for the remainder of the year. As a result of this review, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and consider it appropriate for the Group to continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further details in relation to the use of the going concern assumption and the scenario modelled by the directors are detailed in note 2 of the Group financial statements.

Strategic Report approval

The Strategic Report was approved by a duly authorised Committee of the Board of Directors on 20 March 2023 and signed on its behalf by:

Thierry Garnier
Chief Executive Officer
20 March 2023

Corporate governance

Dear Shareholder,

Our governance structure is designed to ensure that the right decisions are taken at the right time and underpins our purpose to make better homes accessible for everyone. This report describes our structure and sets out how your company is run to serve our customers, to look after our colleagues as a responsible employer, to support the communities in which we operate, and to protect our business for the long term.

A key part of being able to deliver on our purpose and our 'Powered by Kingfisher' strategy is ensuring that we, as a Board, continue to be effective in how we discharge our duties. To this end and, in compliance with the UK Corporate Governance Code, we undertook an externally facilitated evaluation during the year, the outcome of which is described on the following pages along with the progress against actions from the prior year evaluation.

With heightened macroeconomic uncertainty, maintaining a resilient business that is able to invest for growth is vital and your Board is committed to supporting the Executive and all of our colleagues in executing our strategy. Ensuring that we are an agile organisation that is able to respond to changing market conditions and stakeholder needs is a key focus of the Board.

Read more about how we engage with our stakeholders and respond to their views on pages 16 to 22.

Finally, I want to thank my fellow directors for all of their efforts in supporting the management team and our 'Powered by Kingfisher' strategy. Despite the challenging external backdrop, we are confident that we have the right plan in place, supported by a robust governance framework, that will deliver value for all of our stakeholders over the long term and allow us to respond with agility in the face of emerging challenges.

Andrew Cosslett
Chair of the Board

20 March 2023

Our governance structure

Our structured framework comprising the Board and its committees, enables the company and our directors to work effectively.

The Kingfisher plc Board

Responsible for the overall leadership of the Group, the Board defines our purpose, values, and strategy and aligns them with our culture. Considering the views of our key stakeholders, the Board promotes the Group's long-term sustainable success and its contribution to wider society. It is also responsible for the Group's performance and governance oversight.

Audit Committee

Oversees the integrity of our financial and narrative reporting, the effectiveness of our internal controls, risk management and audit, as well as reviewing compliance matters.

Report can be found from page 73.

Disclosure Committee

Responsible for the framework we use to identify, manage, and release inside information.

Nomination Committee

Manages the composition of the Board and its committees, as well as succession planning for the Board and senior management.

Report can be found from page 69.

Remuneration Committee

Ensures rewards are linked to our wider strategy and recognise success.

Report can be found from page 77.

Responsible Business Committee

Oversees delivery of our Responsible Business activities, providing collective advice and assurance.

Report can be found from page 71 with additional reporting from page 23.

Group Executive

Comprises the CEO and his direct reports including the CFO, retail banner CEOs, and certain functional leads. This group meets monthly to support and advise our CEO to develop and implement the strategic direction of the Group and its constituent businesses, to make and implement operational decisions, and where appropriate, make Board recommendations.

Group Investment Committee

Chaired by the CFO, this group approves all capital and revenue expenditure above the threshold reserved for approval at the banner or Group function level. Authority for approval for such matters also resides with the CEO.

Group Climate Committee

Monitors and agrees our emission reduction commitments. Oversees our external reporting on climate-related matters and assesses and manages our climate-related risks.

Board attendance

Directors' attendance at Board meetings during the year is set out below. Directors who are unable to attend scheduled meetings are encouraged to input ahead of the meeting. Detail regarding information flows to the directors can be found in the Corporate Governance Statement on our website www.kingfisher.com/en/investors and on page 68.

Current directors	Board
Andrew Cosslett	8/8
Claudia Arney	8/8
Bernard Bot	8/8
Catherine Bradley[1]	7/8
Jeff Carr	8/8
Thierry Garnier	8/8
Sophie Gasperment	8/8
Rakhi Goss-Custard	8/8
Bill Lennie[2]	7/7

1. Catherine Bradley was unable to attend one Board meeting due to a competing board commitment (AGM).
2. Bill Lennie joined the Board on 1 May 2022. On joining the Board, Bill became a member of the Audit and Nomination Committees.

Compliance with the UK Corporate Governance Code

Kingfisher was subject to the Financial Reporting Council (FRC) 2018 UK Corporate Governance Code (the Code) for the year ended 31 January 2023. The notes below outline how Kingfisher applied the principles and complied with the provisions of the Code. It is noted that, whilst the current Directors' Remuneration Policy (the Policy) approved by shareholders at the 2022 AGM now complies with Provision 36, there are legacy Delivering Value Incentive (DVI) awards made before the adoption of the Policy that do not have phased vesting. The DVI awards will continue in line with the approved Remuneration Policy under which they were granted. Further details of these awards can be found within the Remuneration Policy approved at the 2019 AGM and included within the 2018/19, 2019/20, 2020/21 and 2021/22 Annual Report and Accounts. The current Policy can be found in our 2021/22 Annual Report and Accounts. The Code is available to view at www.frc.org.uk

We have published a detailed Corporate Governance Statement (CGS) on our compliance with the Code at www.kingfisher.com/en/investors. Our website also has copies of: the company's Articles of Association; Matters Reserved for the Board; terms of reference of the Board committees; Role Profiles for the Chair, the CEO, the Senior Independent Director, a non-executive director, and the Company Secretary.

	Page no. or CGS
1. Board leadership and company purpose	
Effective and entrepreneurial Board	CGS, Matters Reserved, 16 – 22, 36 – 38, 51 – 61
Purpose, value and strategy	CGS
Resources and controls	CGS
Engagement with stakeholders	CGS, 16 – 22
Workforce policies and practices	CGS, 14 – 15, 25 – 26
2. Division of responsibilities	
Role of the Chair	CGS, Role Profiles
Composition of the Board	CGS, 64 – 66
Role of the non-executive director	CGS, Role Profiles
Board information, time and resource	CGS, 63, 68 – 70
3. Composition, succession and evaluation	
Appointment to the Board	CGS, 69 – 70
Board composition	CGS, 64 – 66, 69 – 70
Board evaluation	CGS, 68
4. Audit, risk and internal control	
Internal and external audit functions	CGS, 75 – 76
Fair, balanced and understandable	CGS, 73, 104
Risk management	CGS, 51 – 58, 75 – 76
5. Remuneration	
Aligning remuneration to strategy	CGS, 77 – 100
Policy for executive remuneration	CGS, 80 – 87
Independent judgement	CGS, 89

Board of Directors

Andrew Cosslett CBE, Chair of the Board N R

Appointed: April 2017 **Chair of the Board:** June 2017

Skills and experience: Andrew's early career was with Unilever in a variety of branding and marketing roles. He then spent 14 years at Cadbury Schweppes in senior international roles before becoming CEO for InterContinental Hotels Group (IHG). Andrew was at IHG for six years, creating value by leveraging the power of its brands alongside executing a programme of significant transformational and cultural change. He served as CEO for Fitness First, where he was instrumental in successfully repositioning the business and brand. Andrew served as a non-executive director of the Rugby Football Union (RFU) from 2012, where he was appointed chair from 2016 until 2021. Andrew was appointed Commander of the Order of the British Empire (CBE) in 2022.

External appointments: Andrew is non-executive chair of ITV plc. Please see page 70 for further details of Andrew's time commitment.

Thierry Garnier, Chief Executive Officer RB

Appointed: September 2019

Skills and experience: Thierry spent 20 years in senior roles at Carrefour, the French multi-national retailer. Before joining Kingfisher, he was a member of the Carrefour group executive committee and CEO of Carrefour Asia. From 2003 to 2008, Thierry was the managing director of Supermarkets for Carrefour France. Following his success in this role he became CEO of Carrefour International and a member of the group executive committee in 2008, where he became responsible for operations in Asia, Latin America and various European countries. In 2016, Thierry was awarded the Chevalier de l'Ordre National de la Légion d'Honneur (France).

External appointments: Thierry is a non-executive director of Tesco plc.

Bernard Bot, Chief Financial Officer

Appointed: October 2019

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

External appointments: Bernard is a non-executive director of A.P. Møller–Mærsk A/S.

Claudia Arney, Non-Executive Director N R

Appointed: November 2018

Skills and experience: Claudia brings a wealth of experience of business transformation and building digital capabilities to the Board having previously held non-executive roles, including interim chair of the Premier League, senior independent director of Telecity Group plc, chair of the remuneration committee at Halfords plc, non-executive director at Ocado Group plc, and governance committee chair at Aviva plc. Claudia began her career at McKinsey & Company, before holding roles at Pearson, the Financial Times, Goldman Sachs, and HM Treasury. She was also group managing director, digital at EMAP.

External appointments: Claudia is currently chair of Deliveroo plc, and non-executive director and remuneration committee chair at Derwent London plc. She also serves as a member of the Panel on Takeovers and Mergers and is the lead non-executive board member for the Department for Digital, Culture, Media and Sport.

Catherine Bradley CBE, Senior Independent Director

A N R

Appointed: November 2020 **Representative to the Kingfisher Colleague Forum:** From June 2022

Skills and experience: Catherine provides substantial expertise to the Board in the field of finance, risk management and corporate governance, having previously been a non-executive director of the Financial Conduct Authority, the UK financial regulator, where she chaired its audit committee. Catherine also served as an independent member of the supervisory board of PEUGEOT S.A. where she chaired its finance and audit committee. Prior to embarking on her non-executive career, Catherine had a 30-year career in investment banking based in the US, the UK and Asia. She has French and British citizenship and was appointed a Commander of the Order of the British Empire (CBE) in June 2019.

External appointments: Catherine is a non-executive director and chair of the nomination and corporate governance committee at Johnson Electric Holdings Limited, a Hong Kong listed company. She is also a non-executive director of easyJet plc where she chairs its finance committee, and abrdn plc where she is chair of the audit committee.

Jeff Carr, Non-Executive Director A N R

Appointed: June 2018

Skills and experience: Jeff became CFO of Reckitt Benckiser Group plc in April 2020. Reckitt Benckiser has operations in over 60 countries and a large number of globally trusted household brands and products. Jeff previously held an executive finance role with Reckitt Benckiser earlier in his career. Most recently, Jeff was CFO of Koninklijke Ahold Delhaize N.V. (Ahold Delhaize), one of the world's largest retail groups. Jeff was also previously group finance director at both FirstGroup plc and easyJet plc, and held a senior finance role at Associated British Foods plc, as well as a non-executive director role at McBride plc.

External appointments: Jeff is currently CFO of Reckitt Benckiser Group plc, the British multinational consumer goods company.

Sophie Gasperment, Non-Executive Director N RB

Appointed: December 2018

Skills and experience: Sophie brings to the Board expertise in strategy, brand and international retail markets as well as substantial experience in business transformation and digital capabilities, having held a number of senior leadership positions at L'Oréal, including managing director of L'Oréal UK & Ireland, and executive chair and global chief executive officer of The Body Shop, as well as 12 years as non-executive director at Accor where she chaired the Nominations, Remunerations and CSR Committee.

External appointments: Sophie is a senior advisor at the Boston Consulting Group. She is also a non-executive director of Givaudan S.A., the D'Ieteren group SA/NV, and is the lead independent director on the board of Cimpress plc, a NASDAQ-listed technology company.

Rakhi Goss-Custard, Non-Executive Director

A N R RB

Appointed: February 2016

Skills and experience: Rakhi is an experienced non-executive director, with expertise in digital retailing, strategy, analytics, and operational execution. She spent 12 years at Amazon in various senior leadership positions running many of Amazon's key categories, including high growth, mature and digital categories, in addition to being responsible for pricing across the UK. Prior to joining Amazon, Rakhi held roles at TomTom and in management consultancy in the United States. She was previously a non-executive director of Intu Properties plc.

External appointments: Rakhi is a non-executive director of Schroders plc and Rightmove plc. She is also a non-executive director of Trainline plc where she chairs the remuneration committee. Rakhi is due to step down from the Board of Rightmove plc at its upcoming AGM on 5 May 2023. Please see page 70 for further details of Rakhi's time commitment.

Bill Lennie, Non-Executive Director A N

Appointed: May 2022

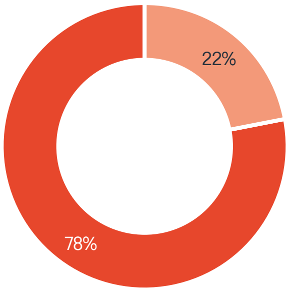
Skills and experience: Bill brings substantial industry experience to the Board, having spent 26 years at The Home Depot, Inc., the largest home improvement company in the world, where he had an outstanding track record of delivery supporting their remarkable growth during this period. Bill was most recently executive vice president, outside sales and services at Home Depot and retired in 2021. During his time there, he held many senior leadership roles including president, Canada and senior vice president, international merchandising, private brands, and global sourcing. Bill has a deep knowledge of merchandising and global sourcing, and experience in developing successful trade and services strategies. Before his time at Home Depot, Bill was merchandising manager for Lowe's Companies Inc. and millwork plant manager for Menards Inc.

External appointments: None

Key: A Audit Committee N Nomination Committee R Remuneration Committee RB Responsible Business Committee ◯ Chair

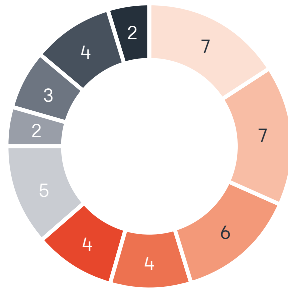
Board composition

Board independence



- Executive directors
- Independent non-executive directors

Director sector experience



- Retail
- Digital
- International markets
- Former CEO
- Brand/marketing
- Listed market experience
- Remuneration/HR
- Finance
- Matrix-model business*
- Home improvement sector

* Experience of multi divisional/business unit model with responsibilities split across regions and the centre.

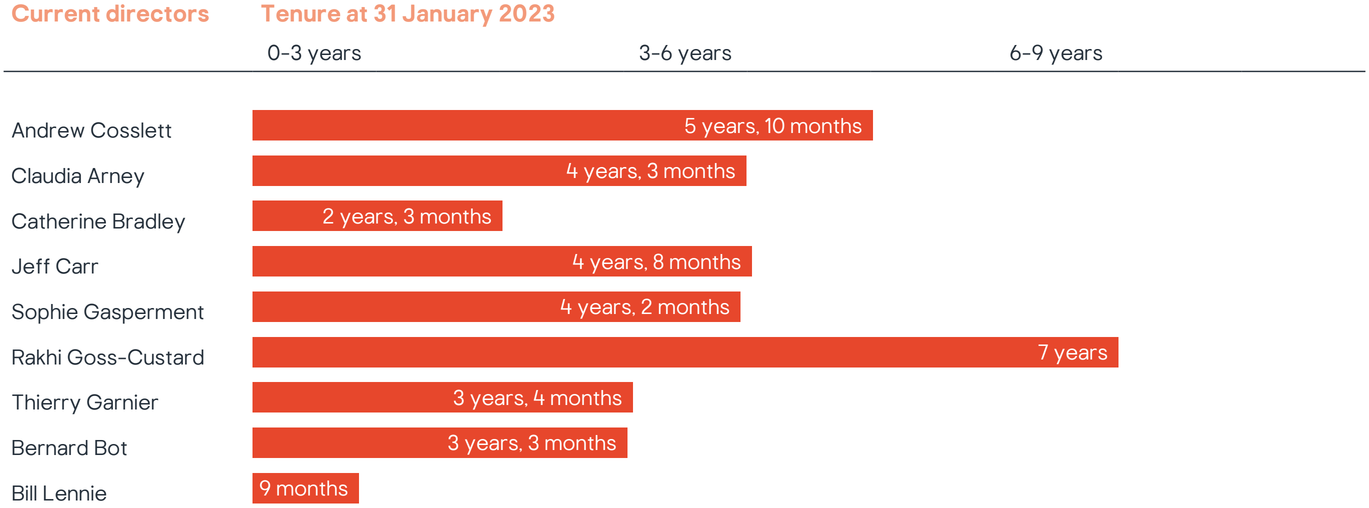
Board diversity and ethnicity

We have four female directors (44%) and one director from a minority ethnic background (11.11%) on our Board (as defined in the Listing Rules).

Board nationality

Current directors

Tenure at 31 January 2023



Board activities

Key activities of the Kingfisher plc Board in the year

Strategy
S.172 considerations:
1 2 3 4 5 6
	– Endorsed the refreshed 'Powered by Kingfisher' strategic pillars and 2023/24 strategic priorities.
	– Monitored delivery of the 'Powered by Kingfisher' strategic objectives and priorities for each key initiative:
	  – Monitored the rollout and progress of the marketplace initiative in B&Q and Iberia.
	  – Monitored the rollout of Screwfix in France.
	  – Reviewed the OEB offer direction and strategy, including updates on Sustainable Home Products (SHP) and on B&Q, Screwfix and their related brand campaigns.
	  – Reviewed Kingfisher's franchise and partnership strategy and approach.
	  – Received updates on the performance of the Responsible Business strategy.
	  – Oversaw developments to the Group's technology infrastructure and information security.
	  – Reviewed key components of the digital and technology roadmap.
	  – Considered customer and market insights and dashboards including key customer metrics.

Finance and performance
S.172 considerations:
1 3 6
	– Reviewed Kingfisher's progress through the CEO and CFO's reports, including:
	  – market and trading updates, including store and category performance;
	  – performance against budget and forecast, and progress of the Value Taskforce;
	  – dividend cover, and interim and final dividends; and
	  – cash flow, funding requirements, credit rating and leverage targets.
	– Approved the three-year plan and annual budget.
	– Approved the UK tax strategy and required disclosures.
	– Approved a share buyback programme to return a further £300 million of capital to shareholders.
	– Monitored macroeconomic and geopolitical forces on performance, receiving updates from external advisers.

People, culture, vision and values S.172 considerations: 2 3 4	– Endorsed the FY 21/22 Responsible Business Report for publication. – Monitored the action taken to build and track culture across Kingfisher. – Reviewed progress against the Inclusion and Diversity pillars and the key priorities for 2022/23. – Monitored the level of health and safety incidents across the business. – Received feedback from colleagues through the Kingfisher Colleague Forum (KCF). – Reviewed progress against the People and Culture Plan and endorsed the key priorities for 2023/24. – Received updates on the community investments made during 2022/23. – Approved a number of matters relating to the Kingfisher Pension Scheme (KPS), including the valuation assumptions and funding position of the final salary section of the KPS and approach to supporting the 'Guaranteed Minimum Pension' equalisation.

Governance and risk
S.172 considerations:
2 3 4 5
	– Conducted a physical AGM which was broadcast live and provided the option for shareholders to submit questions online.
	– Received defence planning and valuation updates supported by our brokers.
	– Reviewed feedback from investor and governance roadshows.
	– Monitored investor consultation around the proposed new Remuneration Policy and Performance Share Plan, approved at the 2022 AGM.
	– Reviewed the results and action plans resulting from the supplier survey.
	– Considered capital expenditure and investment decisions taken by the Group Investment Committee.
	– Approved:
	  – the Modern Slavery Transparency Statement;
	  – the net zero target for scope 1 and 2 greenhouse gas emissions;
	  – the Group's principal and emerging risks and risk appetite statement;
	  – a revised Group Delegation of Authority Policy and significant contracts falling under its authority; and
	  – new share plan rules: a Performance Share Plan (and French Sub-Plan) and new Sharesave.
	– Received annual updates on the Group's pensions and insurance arrangements.
	– Considered whistleblowing reporting across the Group.
	– Externally evaluated the Board's performance in 2022/23 and monitored progress against the actions arising from the internal 2021/22 evaluation.
	– Agreed Kingfisher's approach to compliance with new legislation and regulation, including Economic Crime (Transparency and Enforcement) Act and Russian Sanctions regarding withholding of dividend payments and FCA Listing Rule requirements on Transition Plans.

Key

1 Long-term impact
2 Interests of colleagues
3 Fostering business relationships
4 Impact on community and environment
5 Maintaining reputation for high standards of business conduct
6 Acting fairly between members

Board effectiveness

2022/23 External Board evaluation

The Board and each of its principal committees conduct an annual effectiveness evaluation and, in line with the Code, this is externally facilitated every third year. These evaluations are conducted in accordance with the Code and include consideration of skills, composition and performance. This year, Independent Audit, an external facilitator with no connection to Kingfisher, or its individual directors, was engaged to lead our external evaluation. The evaluation began with a review of the Board and Committee pre-read materials, and included observations at Board, Audit and Remuneration Committee meetings. Individual interviews with directors, senior management and external advisers were also held. A detailed report was then considered by the Board and the outcome from this, as well as progress against last year's actions, were discussed. Overall, the evaluation concluded that the Board is working well and benefits from strong support from the Group Executive. In addition, non-executives have a good understanding of their role and all the fundamentals are in place for the Board to carry out its functions effectively. This should enable it to continue to support management as new challenges come into focus.

Finding	Action plan for 2023/24
Keep under review the key drivers of long-term growth.	– Continue to review strategic priorities in light of progress made and the changing external environment. – Endorse and help shape primary focus areas for the Board agenda in 2023/24.
Make further improvements to the information coming to the Board.	– Further refine the Board information flows to aid synthesis of key messages and reduce the overall volume. – Keep under review the balance of time allocated to presentations and discussion.
Increase the Board's visibility of our people and culture.	– Establish a schedule of Teach-ins for non-executive directors to deep dive in operational areas. – Establish a programme for directors to individually spend a day in different parts of the business each year.

Catherine Bradley received separate reporting regarding the outcome of the Chair's evaluation and led a discussion of the report with the other non-executive directors. Based on the review, the Board concluded that the Chair continued to operate effectively and that there were no concerns regarding his performance.

2021/22 Internal evaluation progress update

The table below outlines progress against actions agreed during the 2021/22 internal evaluation.

Areas of focus	Actions taken during 2022/23
Strategy and performance Create and plan opportunities for the Board to engage more often with a broad range of management across the business.	– In May, the Board travelled to visit the French banners, providing opportunities for directors to meet local leadership teams, senior management (including product teams), high-potential candidates, and store colleagues during their two-day visit. – In October, the Board visited distribution centres and stores in Trentham and Stafford hosted by Screwfix Management. Directors met members of Screwfix and B&Q leadership teams, senior management including network and distribution centre teams, high-potential candidates, and store colleagues. – The Board was invited to attend a cyber threat tabletop event with the Group Executive in addition to a Teach-in on Marketplace and the Investor Teach-in event held in July 2022. – Board and Committee presentations have included attendance by senior management from the banners and Group functions, including Internal Audit, Health & Safety, Legal & Compliance, Cybersecurity, Responsible Business, Logistics and Technology.
Board information Increase the Board's understanding of the wider stakeholder groups.	– Board presentation held in March on the output of 2021/22 Supplier Survey conducted to capture suppliers' sentiment. – Board received a presentation on Sustainable Home Products (SHP), specifically customer sentiment. – Board received regular Customer Insights updates and presentations and, in September, received external presentation on pro and home improvement market trends across Europe. – Board received a CEO Update at each meeting, including NPS and Brand Health data. – Board received feedback on our employee engagement survey (Peakon) and from the Kingfisher Colleague Forum. – Chair, Chair of the Remuneration Committee, and the Senior Independent Director received feedback from investors directly and at the Teach-in in July 2022.
Governance Create opportunities for wider discussion and dialogue around subject matter in meetings.	– Guidance given to presenters ahead of each meeting to clarify minimum standards. – Presentations limited to key highlights with sufficient time reserved for questions. – Nomination Committee meetings extended to accommodate additional discussion.
Governance Continue to build and maintain good Board relationships.	– Cycle of discussion meetings and informal get togethers introduced during 2022/23. – Non-executive only meetings and meetings of the non-executives and CEO (without the Chair) held through 2022/23.

Nomination Committee report

Dear Shareholder,

The role of the Nomination Committee is to ensure the Board maintains the required skills and experience to boost business resilience and deliver the 'Powered by Kingfisher' strategy. This report describes the Committee's activities during the year.

Andrew Cosslett
Chair of the Nomination Committee

20 March 2023

	Eligible	Attended
Andrew Cosslett[1]	3	3
Claudia Arney	3	3
Catherine Bradley	3	3
Jeff Carr	3	3
Sophie Gasperment	3	3
Rakhi Goss-Custard	3	3
Bill Lennie[2]	3	3

1. Chair of the Committee.
2. Appointed to the Committee on 1 May 2022.

In addition to scheduled meetings, one ad hoc meeting was held during the year to oversee the search process for a non-executive director.

The Nomination Committee is comprised solely of independent non-executive directors. Its terms of reference are reviewed annually and are available on the company's website. The Chair of the Committee reports on its activities during each subsequent Board meeting.

The 2022/23 effectiveness evaluation was facilitated by external provider, Independent Audit, and concluded that the Committee operates effectively and raised no areas of immediate concern.

Further detail on the evaluation process can be found on page 68.

Board composition and succession planning

The Board considers its own performance and composition annually as part of the Board evaluation process. More detail on this process can be found on page 68 of the Corporate Governance report. During the year, the Nomination Committee kept the structure, size, composition and diversity of the Board and its committees under review, including a review of tenure so that we can best anticipate retirement within our non-executive population and balance continuity with the introduction of fresh perspectives.

We also continued to plan for the succession of roles at the Board and Group Executive level to maintain the relevant mix of skills, experience, and capabilities in key areas. This included a detailed consideration of succession plans in place for executive and key senior leadership roles, including the Group CEO and Group CFO, as well as potential initiatives to strengthen its pipeline.

To support these processes at Board level, we have used our skills and experience matrix to capture and monitor the combined strategic and committee experience considered relevant and appropriate for Kingfisher, as a UK-listed company and an international, matrix-model retail business.

The skills of our directors are summarised on page 66.

Selection and appointment of Board members

During the year, the Committee oversaw the search process for a non-executive director, resulting in the appointment of Bill Lennie in May 2022. Bill's appointment further enhances the diverse mix of skills and experience on the Board; specifically, in the home improvement retail sector.

Search process

1. Board composition review

The Committee evaluates the structure, size and composition of the Board and its Committees, including, the balance of skills, knowledge, experience, diversity and tenure of the directors and, taking into account the company's business model, strategy, and external environment. We then agree the search criteria.

2. Role brief development

A comprehensive role brief is prepared that is aligned to the desired Board and committee composition, our Board Inclusion and Diversity Policy, and any other relevant corporate governance requirements, including the time commitment expected. All role briefs should be free from bias.

3. Shortlisting

The company's retained search consultants prepare an initial longlist of candidates from a broad range of backgrounds. The Chair and Company Secretary then work with the search consultants to refine this into a shortlist for review by the Committee. We then agree the candidates for interview based on merit and against objective criteria, whilst taking into account all types of diversity and the time available to devote to the position. Where appropriate, the Committee challenges the scope of the search and breadth of the pool from which the longlist has been drawn.

4. Interview

Through a multiple-stage interview process, a panel of directors will meet prospective candidates. Whilst the selection of the directors to the panel will be flexed as appropriate for the role in question, the Chair, the Senior Independent Director and the CEO always participate. After the first round of interviews, the panel agrees which candidates should be invited for final interview and with whom the candidate should meet.

5. Recommendation to, and approval by, the Board

Upon completion of a search, the Committee will make recommendations for new appointments to the Board for approval.

The Committee is supported by Egon Zehnder and Heidrick & Struggles, our retained search consultants, in our selection and appointment of Board members. Egon Zehnder does not have any other relationship with the company or its directors; Heidrick & Struggles was engaged to facilitate inclusive leadership training to the Board and all senior leaders across Group functions during the year and otherwise has no other relationship with the company or the directors. Both are accredited firms under the UK Government's Enhanced Code of Conduct for Executive Search Firms and signatories to the latest Standard Voluntary Code of Conduct for Executive Search Firms (the Voluntary Code), supporting gender and ethnic diversity on corporate boards.

Induction

Each new director receives a tailored induction to help establish a broad knowledge and full understanding of the company's operations and challenges, aspirations, governance and culture. During the year, Bill Lennie commenced a comprehensive and ongoing induction plan, which the Committee oversaw.

Nomination Committee report continued

Each induction is phased and gives directors the opportunity for customisation based on their feedback. As well as tailored features, each induction programme ordinarily includes:

- Individual one-to-one meetings with all directors and the Company Secretary.
- Meetings with members of the Group Executive, senior members of Group functions and retail banners, and dependent on their role, with the external auditors, brokers, investors, and legal advisers.
- Briefing sessions on the activities of each of the Board's committees.
- Visits to the company's stores, office locations, and key sites across the business.
- Ongoing access to the Board's online resources, including to meeting minutes, key reference materials, and briefings on market status and competition.

Board inclusion and diversity

The Kingfisher Board believes in the value of inclusion and diversity throughout the company, including that it is in the company's best interests to have a diverse board that reflects the communities in which we operate. A diverse board champions a culture that is fully inclusive and the benefits that it brings to overall board composition, board effectiveness and better decision-making. Therefore, we are pleased to confirm that the Board already meets the Listing Rules diversity benchmark target (as at 31 January 2023 and the date of publication of this report) and at least 40% of the Board are women, one of the senior board positions is held by a woman (SID) and one director is from a minority ethnic background.

Kingfisher's policy on Board Inclusion and Diversity (the 'Policy') supports the Board in achieving this aim and the Committee keeps it under review and monitors the company's performance against its objectives. During the year, the Policy was refreshed to bring further alignment with the company's inclusion and diversity ambitions and to reflect the new Listing Rules. The Committee's recommendations included the addition of:

- diversity of professional and educational background to the list of diversity characteristics considered;
- the company's own target to have at least one additional diverse leader on each Banner Executive Management board by 2023; and
- a new policy objective to reflect the Parker Review recommendation to adopt the Voluntary Code for executive search firms.

A copy of the Policy is available on our website (www.kingfisher.com/corporate-governance).

A separate Kingfisher Group Diversity Policy (which also covers inclusion) applies to all employees in the Kingfisher Group of companies. The Committee supports the work undertaken by management to develop a diverse and inclusive pipeline of talent. Pages 14 to 15 set out our People and Culture Plan in more detail, including the gender diversity of senior management and colleagues.

For the time being, we are satisfied that good progress is being made towards Board Inclusion and Diversity. During the year, the Board participated in inclusive leadership training, facilitated by Heidrick & Struggles.

As part of director searches, the Committee considers the search pool to ensure it is sufficiently wide and covers candidates with a mix of backgrounds and diversity that may include race, disability, gender, sexual orientation, beliefs, and age, as well as culture, personality, professional and educational background, and workstyle. The Committee always considers the Board's current and desired composition, bearing in mind these considerations, when making our recommendation to the Board on any new appointment.

As well as the Listing Rules diversity benchmark target, during the year, the Board continued to meet the targets of the FTSE Women Leaders Review and the Parker Review on ethnic diversity. We have met these targets (as required for the relevant year) since 2016. The gender and ethnic diversity of the Board is set out on page 66. There are four women (33.33%) in the company's executive management including the Company Secretary (as defined in the Listing Rules). Improving gender and ethnic diversity in leadership continues to be a priority for the company and forms part of the People and Culture Plan set out on pages 14 to 15.

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

New directors are advised of the time commitment expected from them on appointment. During the year, the Committee conducted its annual review of the non-executive directors' independence and time commitments taking into account the recommended guidance from investor bodies and Kingfisher's top shareholders. The Committee believes that each non-executive director remains independent and is not overextended or unable to fulfil their duties to the Board. Directors have demonstrated a strong commitment to their roles in their attendance at Board and Committee meetings set out on pages 63, 69, 71 and 73 of the governance report.

The Board considers existing time commitments before approving new appointments. Three directors in particular had changes to their time commitments during the year. Andrew Cosslett joined the board of ITV plc in June 2022 and became chair in September 2022, Rakhi Goss-Custard joined the board of Trainline plc in June 2022 but noted she would step down from the board of Rightmove plc at its upcoming AGM in May 2023 and Sophie Gasperment stepped down from the board of Accor SA in May 2022. The directors have given careful consideration to their external time commitments to ensure that they are able to devote an appropriate amount of time to their role at Kingfisher. In approving these appointments, taking into account each director's total external time commitments, the Board was satisfied these changes would not compromise their commitments to their roles on our Board and committees.

All directors are subject to annual re-election by shareholders, as required by the company's Articles of Association.

Kingfisher's policy allows executive directors to hold one external non-executive directorship.

Our areas of focus in 2023/24

- Continued focus on longer-term succession planning at the Group Executive level.
- Focus on initiatives to strengthen the Group's pipeline for executive and key leadership roles.
- Continue to support delivery of the Board Inclusion and Diversity objectives.

Responsible Business Committee report

Dear Shareholder,

The Responsible Business Committee's commitment is to support and oversee the delivery of the Responsible Business strategy, an integral part of 'Powered by Kingfisher', and, in doing so, amplify our impact and ensure that Responsible Business is integrated into our governance and is always robust, transparent and accountable. The Committee ensures that Kingfisher delivers on its ambition to lead the industry in Responsible Business practices and empowers our stakeholders to bring about positive change for our customers, colleagues, communities and the planet, whilst remaining pertinent to the wider strategic agenda. The Committee's role includes appraising performance against the strategy and providing collective assurance and advice to the Group Executive and Board on all Responsible Business matters, and monitoring performance against our Responsible Business priorities.

During the year, the Committee continued to champion the Responsible Business agenda, providing independent challenge and oversight on behalf of the Board on our four Responsible Business priorities. The Committee engaged with stakeholders to bring to life Responsible Business and drive positive change. This included developing opportunities to monitor customer trends and insights and adapting the ways in which we interact with colleagues, customers and suppliers to encourage engagement and ambassadorship and understand the Responsible Business topics that resonate most with them. The Committee also informed and monitored the actions the business was taking to drive the Responsible Business agenda and their effectiveness. Further detail on our Responsible Business priorities and fundamentals, together with the business activities delivering progress against them, is set out in the Strategic Report on pages 23 to 26 and in the Responsible Business Report available on the company's website.

Materials for Committee meetings are structured to support the Committee to oversee the delivery of our priorities, maximise stakeholder engagement, ensure meaningful focus on the Responsible Business fundamentals and facilitate adequate challenge by Committee members. Board and Committee members also receive a variety of updates on a monthly and quarterly basis, including Responsible Business KPIs. The Committee is kept informed of relevant regulatory and legislative developments and oversees key events in the reporting cycle, including our Responsible Business Report, climate-related financial disclosures, Modern Slavery Transparency Statement, ESG investor engagement and our approach to ESG ratings.

Sophie Gasperment
Chair of the Responsible Business Committee

20 March 2023

	Eligible	Attended
Sophie Gasperment*	2	2
Rakhi Goss-Custard	2	2
Thierry Garnier	2	2
John Mewett	2	2
Kate Seljeflot	2	2
Henri Solère	2	2

* Chair of the Committee.

In addition to scheduled meetings, two ad hoc meetings were held during the year to consider the results of the 2021/22 and 2022/23 Committee evaluations.

The Responsible Business Committee is comprised of two independent non-executive directors, our CEO and other members of the Group Executive. Its terms of reference are reviewed annually and are available on the company's website. The Chair of the Committee reports on its activities at each subsequent Board meeting.

The 2022/23 effectiveness evaluation was facilitated by external provider, Independent Audit, and concluded that the Committee operates effectively and raised no areas of immediate concern.

Further detail on the evaluation process can be found on page 68.

Colleagues

The Committee focused on colleague engagement, using direct feedback to identify the topics that resonated most with them and to understand how well equipped our colleagues felt to relay our Responsible Business key messages to customers and suppliers. The Committee analysed deep dives on engagement campaigns including the colleague engagement survey, and on inclusion and diversity, such as inclusive youth employment in France.

We heard from representatives of Affinity Networks in Poland, B&Q, Screwfix and Group functions about the benefits of providing a safe and supportive environment for colleagues to discuss inclusion and demonstrate allyship with minority and marginalised groups.

The Chair of the Committee relayed her insights from the Kingfisher Colleague Forum to inform action plans and to ensure colleague views remained front and centre of discussion.

Responsible Business Committee report continued

Customers

The Committee reviewed the impact and effectiveness of Kingfisher's Responsible Business agenda with customers. This included an update from B&Q, Screwfix and Castorama France on their Responsible Business communication plans and their effectiveness, as well as an analysis of customer insights. These insights provided the Committee with a customer perspective on sustainability and the key barriers to more sustainable homes, which, together with an awareness of the latest industry trends, facilitated discussion on customer communications, research and investment in Responsible Business products and services.

The Committee also monitored progress on the Sustainable Home Products (SHP) programme and endorsed the SHP targets and the associated communication plan. Other updates included the Kingfisher energy efficiency campaign and B&Q's Energy Saving Service, including the assessment of their impact on relevant stakeholders and the wider Responsible Business agenda.

Planet

As part of monitoring performance against the Planet priority, the Committee reviewed the company's net zero commitments and delivery roadmap, including implications for banners, and key activities and milestones for reducing emissions. It also guided management's approach to communicating and reporting on the company's climate targets.

We received presentations directly from banners on Responsible Business Planet communications and actions being taken to help colleagues further promote positive practices in B&Q, Screwfix and Castorama France. These included raising awareness of sustainability and encouraging colleagues and customers to share the concrete actions they were taking to become more eco-responsible.

The Committee also oversaw the review process for the policies which underpin our Planet commitments, including our Forest Positive, Environmental and Sustainable Packaging policies.

Communities

The Committee assessed the impact and breadth of community projects and investment across banners, including the banner Foundations. This covered our action to address situations of conflict and disasters, such as the Brico Dépôt Romania Foundation's response to the refugee crisis arising from the conflict in Ukraine, and the B&Q community fundraising event 'Raise the Roof' in response to the UK's cost of living crisis. In monitoring the delivery of our Community priority, we also considered our charity partners and their support in enabling us to maximise the impact of our giving, as well as community employability partnerships targeted at youth development in France.

The Committee also oversaw the review process for the policies which underpin our Community commitments, including our Human Rights and Community policies.

Our areas of focus in 2023/24

At each meeting the Committee considers the monitoring of progress on our four Responsible Business priorities and underlying fundamentals, the feedback received from our colleagues and customers, the topics and key events coming up in the Responsible Business reporting cycle, and any regulatory or legislative updates relevant to its area of activity. This, in turn, helps to shape the agenda for the next Committee meeting. In 2023/24, the Committee will review the Responsible Business agenda to ensure it remains effective in driving our ambitions set by 'Powered by Kingfisher' and that it is focused on making the most of colleague engagement and of our significant investment in Responsible Business in order to optimise the delivery and impact of our Responsible Business priorities, including:

- Colleagues – recommending opportunities for driving further inclusion and diversity; enhancing the interaction with our banners to further embed Responsible Business practices and responding to issues and opportunities that colleagues are sharing.
- Communities – assessing the impact of our response to conflict and disasters and developing opportunities to further support the community through cost of living crises.
- Planet – influencing and monitoring performance against our responsible sourcing and climate change commitments.
- Customers – inspiring and supporting our customers to create more sustainable homes through SHP.

Audit Committee report

Dear Shareholder,

The role of the Audit Committee is to provide independent challenge and oversight on behalf of the Board, of the accounting, financial reporting, risk management and internal control systems of the Group. It also oversees our Internal Audit function and Kingfisher's relationship with our external auditor, Deloitte LLP (Deloitte). The Committee has an annual forward agenda which evolves as the risks and priorities of the business change.

During the year, the Committee received presentations from a number of banners and Group functions regarding their control environments and the mitigating actions that are in place to manage key risks. In addition to the usual periodic reporting and audit activities, the Committee continued to monitor the Department for Business, Energy & Industrial Strategy (BEIS) proposals to improve trust in audit and corporate governance. Following the publication of the BEIS Response Statement on 31 May 2022, the Committee believes that our existing plans, managed through the Group's Internal Controls over Financial Reporting programme (ICFR), remain valid and the company is well prepared to address these requirements as they develop.

The following pages further describe the Committee's activities and key judgements during the year.

Jeff Carr
Chair of the Audit Committee

20 March 2023

	Eligible	Attended
Jeff Carr[1]	4	4
Catherine Bradley	4	4
Rakhi Goss-Custard	4	4
Bill Lennie[2]	3	3

1. Chair of the Committee.
2. Appointed to the Committee on 1 May 2022.

The Audit Committee is comprised solely of independent non-executive directors. Jeff Carr is a qualified chartered accountant and a CFO with experience in both the retail sector and UK listed companies. His financial experience makes him the right person to fulfil the Committee's responsibilities and the Code requirements. The Committee's terms of reference are reviewed annually and are available on the company's website.

The Chair of the Committee reports on its activities during each subsequent Board meeting. The 2022/23 effectiveness evaluation was facilitated by an external provider, Independent Audit. The evaluation concluded that the Committee operates effectively and raised no areas of immediate concern.

Further detail on the evaluation process can be found on page 68.

Always 'fair, balanced and understandable'

All company financial statements and results announcements are reviewed by the Committee with the support of the Disclosure Committee. It is the Committee's role to consider and challenge management regarding accounting principles, policies and practices applied, as well as any financial reporting issues and significant judgements made. The Disclosure Committee is comprised of the CFO, Group Company Secretary, Group General Counsel, and Group Investor Relations Director.

After reviewing the 2022/23 Annual Report and Accounts and full-year results announcement, we recommended to the Board that the disclosures, and the processes and controls underlying their production, met the legal and regulatory requirements for a UK listed company. We believe that taken as a whole, the Annual Report and Accounts and announcement of full-year results were fair, balanced, and understandable. Our review extended to the publication of these documents in a structured XHTML web browser format and electronic tagging of the primary financial statements, ensuring that the necessary procedures had been completed by all parties, including our technical accounting team and a specialist IT provider. No external assurance was considered necessary for the electronic tagging.

Going concern and viability statements

The Committee received a report on both the company's ability to continue operating as a going concern and on the rationale and risk mitigations underpinning the sensitivity analysis undertaken. This analysis included the modelling of a remote downside scenario which considered the impact of a significant drop in sales resulting from a significant event such as a cyberattack, IT or supply chain failure. The Committee is of the view that the company would have sufficient headroom under its key financial covenants. Following review, we recommended both statements for approval by the Board.

The Committee also noted correspondence received from the Financial Reporting Council commending the company's disclosure in its 2021/22 Annual Report in relation to viability assessment scenarios. The Committee welcomed this feedback and continues to look for ways to enhance the company's reporting to ensure that it remains useful and informative for stakeholders.

The Viability statement and Going concern are set out on pages 59 to 61.

Audit Committee report continued

Significant financial reporting matters

We assess all issues that may affect the integrity of the company's published financial statements to ensure that each is treated appropriately. For 2022/23, we monitored the following significant financial reporting matters and took appropriate actions. The Committee discussed these matters with Deloitte and, where appropriate, they have been addressed as key audit matters in the Independent auditor's report from page 105.

Matter considered	Role of the Committee	Conclusion
Does the carrying value of **stores and goodwill** require any **impairment** charges or reversals?	– We examined the results of management's year-end impairment exercise and assessed the validity of cash flow projections based on the company's three-year strategic plans and the financial assumptions used. These assumptions included forecast sales growth, margin and operating profit percentages, discount rates and long-term growth rates. – Our review included consideration of actual trading during the year, expectations for the future market environment, and the impact of Kingfisher's strategy. It also included consideration of the nature and level of overheads that are necessarily incurred to generate cash inflows in the context of allocation to individual store or goodwill cash generating units. – We reviewed the significant increases in the discount rates used to calculate the present value of forecast cash flows and agreed with management's view that this represented an indicator of impairment. – Sensitivity analyses were reviewed for changes in operating cash flows and discount rates.	– The Committee endorsed the recognition of store net impairment charges of £139 million (recorded as adjusting Items), principally in the UK and France. Refer to notes 3, 6, 15, 16 and 17 to the consolidated financial statements. – The Committee also endorsed the recognition of an adjusting impairment charge of £16 million for Romania goodwill. Refer to note 13 to the consolidated financial statements.
What should the treatment of liabilities and contingent liabilities be in relation to uncertain **tax positions?**	– We reviewed various tax positions and audits across the Group's jurisdictions. These included transfer pricing arrangements and the European Commission state aid investigation. This review included the appropriate recognition and measurement of assets and liabilities recorded, and the classification and disclosures of contingent liabilities.	– The Committee endorsed management's accounting judgements relating to uncertain tax positions. In relation to the state aid case, a non-current asset of £64 million is recorded on the balance sheet, reflecting the amount paid to the UK tax authorities in 2021/22 and which is considered to be recoverable. Refer to notes 3, 10 and 35 to the consolidated financial statements.
What are the principal judgements relating to **inventory valuation?**	– We closely monitored the levels of inventory in each banner as well as the performance of the Group's OEB and the estimated impacts on future selling prices of range review and clearance activities. This included consideration of our trading performance, stock availability, the Group's management of seasonal stock, new ranges and the impact of inflation. – The key consideration was the appropriateness of the Group's inventory provisions and policy, which considers factors including stock turn, range or de-listed status, shrinkage, damage, and obsolescence when assessing net realisable value. This included an assessment of any significant judgemental provisions or exclusions from the standard mechanical provision calculations.	– The Committee endorsed management's accounting estimates relating to inventory valuation (£3.1 billion in note 19 to the consolidated financial statements), and that the provisions recorded were appropriate considering the quality and profile of inventories held by the Group at the reporting date. Refer to notes 3 and 19 to the consolidated financial statements.
Are appropriate actuarial assumptions being used in respect of the **valuation of the company's pension scheme?**	– The Committee reviewed the principal market rates and assumptions used to value the Group's defined benefit pension schemes, in particular for the significant UK scheme. This review included interest rates on high-quality corporate bonds, inflation and mortality rates, and followed the completion in the year of the triennial valuation for funding purposes.	– The Committee endorsed management's accounting estimates relating to defined benefit pensions and the recognition in other comprehensive income of £278 million of net remeasurement losses. Refer to notes 3 and 28 to the consolidated financial statements.

The Committee also reviewed the relevant disclosures in relation to climate change, including compliance with the Task Force on Climate-related Financial Disclosures (TCFD) requirements, and considered whether the impact of climate change represented a key source of estimation uncertainty or critical accounting judgement in the financial statements.
The Committee endorsed management's disclosures and its assessment that climate change does not represent a key source of estimation uncertainty or a critical accounting judgement, given the limited financial impacts expected in the time horizons used in forecasts such as for going concern or impairment testing purposes.

External audit

The Committee's oversight of our relationship with our external auditor includes making recommendations to the Board regarding their appointment, reappointment, and removal, as well as continuously assessing Deloitte's independence and negotiating the audit fee.

The 2021/22 reporting cycle marked the conclusion of a three-year fixed fee agreement with Deloitte for audit services. During 2022, the Committee considered and approved a new proposal from Deloitte for a one-year agreement with future year fees negotiated on an annual basis. The increase in audit fees compared with prior years has been driven by the significant increase in regulations over recent years which have required greater involvement from senior specialists, together with significant wage cost inflation across the professional services sector.

The fees paid to Deloitte for their audit services in 2022/23 are set out in note 8 to the consolidated financial statements. Deloitte were appointed as auditor in 2009/10 and subsequently reappointed in 2019/20 after a comprehensive and competitive audit tender process. Nicola Mitchell has been external audit engagement partner since the start of the 2019/20 process. Kingfisher complies with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 and the Code.

Non-audit services

Deloitte also engage in a range of non-statutory audit services such as the interim review, additional assurance procedures, shareholder circulars, regulatory filings and certain business acquisitions and disposals for which we may consider them from time to time. Work in any of these areas is awarded by competitive tender.

We review our policy governing the use of Deloitte to provide non-audit work each year to make sure it reflects the FRC's Ethical Standard as applied to listed public interest entities. The current policy, approved In 2020 and reviewed by the Committee during the year, can be found on the website.

Fees for non-audit services are also set out in note 8 to the consolidated financial statements.

Independence, effectiveness, and reappointment

During the year, the Committee considered Deloitte's independence and decided that no breaches of policy had been identified. We have not found anything that would call into question their independence or objectivity in providing a true and fair opinion on the company's financial statements and Annual Report. In addition, Deloitte confirmed they were not aware of anything that they should bring to the company's attention in relation to their independence and objectivity. The Committee also considered Deloitte's effectiveness and, through a survey of the Committee members and management, reviewed the experience and expertise of the audit team, as well as the quality of planning and execution of the audit. This review was supported by management discussions and feedback from the banners and Group functions, with the conclusion reached that the audit was judged to be effective.

Following the outcome of this evaluation process, the Committee recommended Deloitte's reappointment under the current external audit contract for the financial year ending 2022/23 and this was approved at the 2022 AGM. The Board also expects to propose Deloitte's reappointment at the 2023 AGM. The company will be required to put its external audit process out to tender again no later than the audit of the financial year ending 2029/30.

Accountability, risk management and internal control

Ensuring accountability

On behalf of the Board, the Audit Committee oversees the company's system of internal control, including its risk management framework and the work of the Internal Audit function.

Internal Audit reports directly to the Committee and has authority to review any part of the organisation and to oversee the audit and risk committees of the retail banners. Internal Audit reports annually to the Board and regularly to the Group Executive and Audit Committee so that our leadership always has objective assurance on the control environment across the Kingfisher Group.

The Group's approach in this regard complies with the requirements of the Code and was developed with reference to the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Committee provides an independent overview of internal control matters while Deloitte's reports to the Committee include key audit risk and control findings relevant to the audit process.

During the year, the Committee has continued to monitor the implementation of an enhanced framework for Internal Controls over Financial Reporting (ICFR programme). The publication of the FRC's position paper in July and subsequent three-year plan statement in December setting out plans to revise the Code, adding a greater level of reporting and evidencing on the effectiveness of internal controls, has further underlined the importance of the ICFR programme. The Committee is confident that the company will be in a position to conduct a full-year cycle of assessment, testing and reporting against the new ICFR controls framework in 2023/24 and will be ready to meet the future requirements of a revised Code.

In addition to financial controls, the Committee receives regular updates on litigation and compliance, including reports on the company's 'Speak Up' whistleblowing hotline that was relaunched in 2021. Operating as a responsible business is a key element of the 'Powered by Kingfisher' strategy and the Committee plays a fundamental role in overseeing the process to ensure the highest ethical standards are maintained across Kingfisher's business.

More information on the company's Code of Conduct and the role of the Group Ethics and Compliance Committee can be found on page 26.

Audit Committee report continued

Managing risk and internal control

The risk assessment process in place across the Group directly impacts the way in which significant business risks are identified, measured, and managed. The Committee's consideration of risk management and internal control is driven primarily by the company's assessment of its emerging and principal risks and uncertainties, discussed on pages 51 to 58. During the year, the Committee received briefings from the Internal Audit and Risk Director, as well as from retail banner CEOs and Group function directors, on operational risks and associated controls, including on risk mitigation and control improvements.

The Board is responsible for establishing a framework of effective controls for assessing and managing risk. Our internal control environment is codified in a suite of policies, procedures, operating standards, and delegated authorities to ensure the right actions are approved and taken quickly. We aim to manage rather than eliminate the risk of failure to achieve our business objectives as it is not possible to provide absolute assurance against material misstatement or loss.

Management is responsible for applying judgement when evaluating and managing the risks the company faces as part of its operations.

The company's approach to risk management is also discussed on pages 51 and 52.

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

- The annual planning process and regular financial reporting to compare our results with those set out in our strategic plan and against previous performance.
- Quarterly updates on financial risks and internal controls for financial reporting (ICFR) are made against the global controls framework prescribed by the Group and detailed control design assessments updated by all banners and global functions for each reporting period.
- Reports from the CEO and CFO at each Board meeting.
- Periodic reports from banner CEOs and Group function directors on the control environment in their businesses and improvements made thereto.
- Reports and presentations to the Board on certain specialist risks, including treasury, insurance, tax, governance, cyber threats, and pensions.

Additionally, banner CEOs and Group function directors certify compliance with the Company's policies and procedures and that the relevant internal controls were in operation during the period. Any weaknesses are highlighted, and the results are reviewed by the Internal Audit and Risk Director, the CFO, the Committee, and the Board. Furthermore, full substantive testing of financial reporting controls is in the process of being rolled-out across the Group to support the updated global controls framework.

Each year, the Internal Audit function's reviews are aligned to the company's principal risks. The function works with the banners and Group functions to develop, improve, and further embed risk management activities into their operations.

This year, the Committee also considered high-velocity risks which is those unexpected risks that could materialise at pace and cause a significant impact. Following a process conducted by the Group Executive to identify the high-velocity risks, the Committee reviewed the output from the exercise, noting the appropriateness of existing mitigation efforts, and endorsed management's recommendations to improve understanding and readiness to act in the event of a risk materialising.

Group Internal Audit

During the year, the Committee received progress updates from the Internal Audit and Risk Director on:

- Delivery of the Internal Audit change programme designed to strengthen the role of Internal Audit.
- The company's risk management systems.
- Detailed outputs of internal audits conducted in several areas, including:
  - Strategic: Progress on Fix France, Implementation of a common SAP reporting platform in Brico Dépôt France.
  - Financial risks: rebates recognition, financial control health checks, payroll processes, stock counts, GNFR payments.
  - Operational risks: forecast and replenishment, OEB tendering, privileged access management, Javascript, vendor master data, pricing and margin control, critical supplier management.
  - Compliance risks: ethical sourcing, Screwfix Foundation, GFR contract management, GDPR management of inactive customers.

During 2020/21, Ernst & Young LLP (EY) conducted an independent evaluation of the effectiveness of the Internal Audit function. An Internal Audit roadmap and milestones for delivery during 2021/22 and beyond were developed and approved by the Committee. During 2022/23, the change programme deliverables have been substantially completed. This has included:

- Continuing to deepen relationships with key stakeholders in banners and Group functions to facilitate audit planning and delivery.
- Enhancing the functionality of in-house developed tools to facilitate the delivery of audit work and monitoring of actions and reporting of audit themes.
- Developing a stronger and more consistent approach to the use of data analytics in audits.
- Embedding a quality assurance programme over audit delivery.
- Continuing to develop the Group's risk management framework and Board reporting, including a project focused on identification and management of high-velocity risks.

The remit, organisation, and resources of the Internal Audit function were reviewed as part of the internal effectiveness evaluation that was conducted internally by the Company Secretary and captured the views of Committee members, relevant executive directors, and senior management including banner CEOs and Group function directors. The Committee and management continued to rate the Internal Audit function highly and, in doing so, endorsed the ongoing actions being implemented as part of the roadmap set out in 2020/21.

Directors' remuneration report

Dear Shareholder,

As Chair of Kingfisher's Remuneration Committee, I am pleased to present the Directors' remuneration report for 2022/23. In this statement, I describe the key items considered by the Committee during the financial year, including the incentive outcomes for the year as well as the broader context of remuneration at the company. These are contained within our Annual Remuneration Report which describes how our new Policy was implemented during 2022/23, and how the Policy will be implemented in 2023/24. This, together with the Annual Statement, will be put to an advisory vote at the 2023 AGM.

Also included in this report is a summary of our Directors' Remuneration Policy which was approved by the majority of our shareholders at the 2022 AGM.

Performance during the year

The Group's 2022/23 financial performance has been resilient, particularly given the external challenges over the last year. Our adjusted pre-tax profits for the Group were £758 million for the year while our total sales were £13,059 million, down 0.7% on the prior year (3-year like-for-like (LFL) up 15.6%). Based on these results, the Board is proposing a final dividend of 8.60p, resulting in a total dividend for the year of 12.40p. This, when combined with the share buyback programme, resulted in £583 million being delivered to shareholders for the year.

The company also continues to be a leader in responsible business. As shown in the Responsible Business section on pages 23 to 26, we have stepped up our ambitions in reducing our carbon emissions and ensuring our wood and paper products are responsibly sourced as well as continuing to support those most in need in the wider community.

While the economic environment is expected to remain challenging, Kingfisher is well positioned to navigate these uncertain times. This is in part due to the excellent leadership of Thierry Garnier and his team and our wider workforce.

Our wider workforce

Kingfisher is committed to creating a workplace where everyone is treated equitably. With this in mind and particularly in light of the current cost of living pressures, the Committee has overseen targeted reward action taken to support colleagues across our organisation.

Since our last pay round in April 2022, the company has undertaken a number of initiatives including:

- In the UK, in December 2022, we awarded an increase to the basic hourly rate offered to our store colleagues from £9.80 to £10.10 in B&Q and from £9.70 to £10.00 in Screwfix, along with a 3% increase for colleagues at our most junior work level in the UK banners or those who earn £35,000 or less in our head office.
- In France, Poland and Iberia, salary increases or one-off payments were awarded.
- In Turkey, where there is a backdrop of inflation at unprecedented levels, a programme of interim increases was approved.

In this report

About this report

The Directors' remuneration report, on pages 77 to 100, has been prepared in compliance with the remuneration disclosures required under the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

Whilst the response to base pay focused predominantly on store colleagues, the company has also provided additional support to help all colleagues with the cost of living crisis, including:

- A Colleague Support Fund in the UK in partnership with the Retail Trust to provide grants to support colleagues experiencing financial difficulties.
- A partnership between Happi app and Screwfix to provide colleagues with financial wellbeing advice.
- Colleague discounts on energy saving products in the UK, Romania, Spain and Portugal to help reduce household bills.

Store colleagues' pay rates will also be reviewed as part of the April 2023 pay review cycle. Increases proposed for these colleagues are generally above or in line with the proposal for management colleagues. In the UK, both B&Q and Screwfix will move their base hourly pay rate to £10.60, a total increase of 8.2% and 9.3% respectively, inclusive of the additional December 2022 uplift covered above. We will continue to monitor inflation and the cost of living in all of our markets.

The Committee also oversaw Kingfisher's fifth gender pay report, which is available on our corporate website. As part of our Inclusion and Diversity (I&D) strategy, we are committed to developing more inclusive leaders and improving gender representation across our business. We are on track to meet our goal of 40% women in all management roles by 2025. Achieving our women in senior leadership target (35% by 2025) remains an ongoing area of focus as demonstrated in the Responsible Business section on page 24. The Group did not consult with employees when drafting the Directors' Remuneration Policy. However as part of a Kingfisher Colleague Forum, colleagues were advised on remuneration arrangements of executive directors and how these align with the arrangements offered elsewhere in the organisation, and this topic was included during discussion with colleagues for the year being reported on.

Directors' remuneration report continued

Our Remuneration Policy

At the 2022 AGM, the Committee submitted a new Remuneration Policy for shareholders' approval, after an extensive review and consultation with our largest shareholders.

The new Policy, of an Annual Bonus with part deferred into shares and a new Performance Share Plan (KPSP) granted annually, was well received by shareholders who approved the Policy with a vote of over 93%. The Committee and I would like to thank shareholders for their strong level of support.

Decisions made by the Committee during the year

Taking into account the performance during the year and our continuing commitment to ensuring that executives are focused on outcomes and strategic priorities, the Committee implemented the approved Policy as follows:

2022/23 Annual Bonus outturn

The 2022/23 Annual Bonus for the executive directors was assessed against adjusted pre-tax profit, LFL sales growth, own exclusive brands (OEB) sales growth and digital sales growth. In line with the Policy, the Committee reviewed the outcome of each measure and also undertook a holistic view of the outturn versus underlying performance and value delivered to our shareholders.

There was some vesting on both LFL sales growth and OEB sales growth. Neither adjusted pre-tax profit or Digital sales growth met the threshold target for vesting. This has resulted in a formulaic outturn of 15.9% of maximum which is equivalent to 31.7% and 30.1% of salary for the CEO and CFO respectively. The Committee determined this level of outturn was appropriate given the performance over the year, the value delivered to shareholders and the treatment of the wider workforce.

Full detail on the performance against each of the 2022/23 strategic measures can be found on page 91.

Vesting of the 2020 Alignment Shares

Performance against the underpins attached to the 2020 Alignment Shares granted to both executive directors was assessed by the Committee as at 31 January 2023, ahead of the awards vesting.

Both underpins were met with the Net Debt to EBITDA ratio less than 2.5 times, the dividend cover over 1.75 times and the 2022/23 dividend payments being above the required threshold. Therefore, the Committee concluded that this award will vest at 100% for the executive directors. This award vests in July 2023 and is subject to a two-year holding period.

Full detail on performance against the underpins for the 2020 Alignment Shares and the vesting outcomes for the executive directors can be found on pages 91.

The Policy was operated as intended in 2022/23.

Key remuneration decisions for 2023/24

The Committee also made a number of decisions relevant for 2023/24 during the year which are as follows:

Salary increases

A salary increase of 5% will be awarded to the executive directors effective from 1 April 2023. This increase is in line with the standard increase proposed for the wider UK workforce based in head offices and is reflective of their ongoing strong performance.

2023 Performance Share Plan (PSP) Measures and Targets

The measures for 2023 PSP are the same as for the 2022 PSP which are Earnings Per Share (EPS), Return On Capital Employed (ROCE), Relative Total Shareholder Return (TSR) and a basket of ESG measures, each with a 25% weighting. The basket of ESG measures remains the same as the 2022 PSP:

- climate change: a reduction in scope 1 and 2 emissions from a FY 16/17 baseline;
- Forest Positive: % of wood and paper responsibly sourced as a % of SKUs purchased; and
- gender diversity: % of women in senior leadership.

These measures all continue to align with our long-term strategy and support value creation. The target ranges, like last year, have been set taking into account the internal long-term plans and external consensus. Further details on these measures including the target ranges can be found on pages 96 to 97.

Remuneration for the executive directors in 2023/24 will be implemented in line with the Policy. For a summary of the application of the Policy for 2023/24 see page 99 of the Annual Report on Remuneration.

Changes to non-executive directors' and Chair's fees

The Board reviewed the non-executive directors' (NED) fees in 2022/23 and agreed, effective 1 February 2023, that the base fee will be increased by 4%. There are no changes to the Senior Independent Director, and Committees' chair or member fees.

Separately, in respect of the company Chair's fee, a 4% increase effective 1 February 2023 was agreed.

These increases reflect the continuing significant time commitment required from the non-executive directors and Chair and are lower than the increase being implemented for the wider UK workforce.

Looking ahead

The Committee remains dedicated to ensuring that we have an open and transparent dialogue with shareholders and other stakeholders and so welcomes any questions you may have on the implementation of our Remuneration Policy in 2022/23, our Remuneration Policy and how we intend to implement the Policy in the coming year, or any other relevant topics.

I look forward to receiving your support for our Annual Report on Remuneration at the 2023 AGM.

Claudia Arney
Chair of the Remuneration Committee

20 March 2023

Remuneration at a glance

The following page provides our simplified Remuneration Principles, a summary of the Remuneration Policy and its implementation in 2023/24 and a summary of the implementation of the Policy in 2022/23.

Remuneration principles

Simple, transparent and relevant	**Supports long-term value creation**	**Fully supports Kingfisher's purpose and values**	**Rewards for strategy delivery and performance**

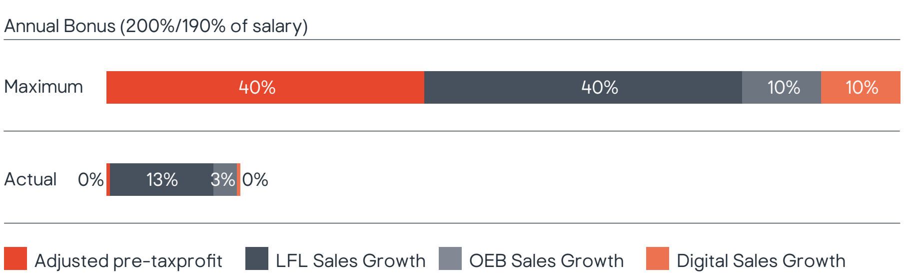
Summary of Policy and implementation for 2023/24

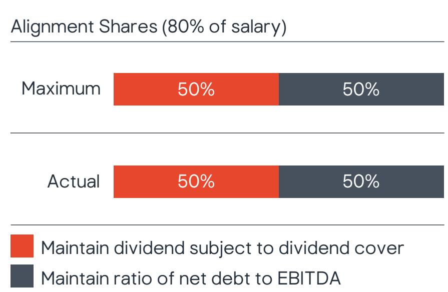
	Summary	Measures	Alignment to strategy
Base salary	For 2023: – CEO: £882,525 (5% increase) – CFO: £623,280 (5% increase)		Reflects the individual's role, experience and contribution to the company and is set at levels that support the recruitment and retention of executive directors of the calibre required by the company.
Annual Bonus	Maximum opportunity – CEO: 200% of salary – CFO: 190% of salary Performance is assessed over one year. Any bonus earned over 100% of salary is deferred into shares for three years.	– 40% LFL sales growth – 40% Adjusted pre-tax profit – 10% OEB sales penetration – 10% Digital sales penetration	Incentivises executive directors to achieve or exceed annual financial and strategic objectives set by the Committee at the start of each financial year. Long-term shareholder alignment provided through bonus deferral.
Performance Share Plan	Maximum opportunity – CEO: 275% of salary – CFO: 260% of salary Awards vest subject to performance over three financial years and are subject to a further two-year holding period.	– 25% EPS – 25% ROCE – 25% Relative TSR – 25% on a basket of ESG measures	EPS, ROCE and ESG are aligned to the strategy while Relative TSR ensures that payout for participants is aligned to value creation for shareholders. ESG reflects the importance of our Responsible Business agenda and recognises our long-term goals and commitments.
Share ownership requirements	– CEO: 350% of salary – CFO: 270% of salary Executives are additionally required to hold 100% of the shareholding requirement for a period of two years post-employment.		To ensure the alignment of the interests of executives and shareholders over the long term, executive directors are required to build a significant shareholding.

Our FY 22/23 performance highlights

Adjusted pre-tax profit	LFL sales growth	OEB sales growth	Digital sales growth	Net debt to EBITDA	Total dividend
£758m	**(2.1)%**	**(2.1)%**	**(8.8)%**	**1.6x**	**12.4p**

Our FY 22/23 Incentive Outcomes





Remuneration in 2022/23

	Fixed pay	Annual Bonus outcome			Alignment Shares outcome			Total single figure
	£'000	% of max	% of salary	£'000	% of max	% of salary	£'000	£'000
CEO	993.0	15.9%	31.7%	265.2	100%	80%	680.0	1,938.3
CFO	698.3	15.9%	30.1%	177.9	100%	80%	480.3	1,356.5

Directors' remuneration report continued

Directors' Remuneration Policy (approved at the 2022 AGM)

Our Remuneration Policy (the Policy) is set out in this section. The Policy was approved by 93.11% of our shareholders at the AGM held on 22 June 2022.

The full version of the current shareholder-approved Policy can be found in the 2021/22 Annual Report. The Policy is presented unchanged from that approved by shareholders other than minor wording changes to reflect, for example, that the Policy has been approved by shareholders, an update on selection of performance measures to reflect rationale for 2023/24 bonus measures and the 2023 PSP as well as updated scenario charts.

Policy table

Base salary

Element and purpose
Base salary reflects the individual's role, experience and contribution to the company and is set at levels that support the recruitment and retention of executive directors of the calibre required by the company.

Operation
In setting base salaries, the Committee also has regard to salaries for similar roles in comparator companies including those in FTSE retailers and companies of a similar size and complexity.

Maximum opportunity
Salary increases will typically be in line with the wider workforce. The Committee has the flexibility to award higher salary increases in exceptional circumstances.

Increases awarded each year will normally be set out in the statement of implementation of the Policy.

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

Benefits

Element and purpose
Benefits are provided to assist executive directors in the performance of their roles and are designed to be competitive and cost-effective.

Operation
The company may provide pension benefits (set out in the following section), a company car or cash alternative, medical insurance, and life assurance cover.

Other benefits may be provided from time to time if considered reasonable and appropriate by the Committee, such as relocation allowances, and would be explained in the subsequent Annual Report on Remuneration.

The company pays the cost of providing benefits on a monthly basis or as required for one-off events such as financial planning advice.

Store discounts may be offered to all executive directors on the same basis as offered to other company employees.

Maximum opportunity
Maximum levels of benefit provision are:

- Car allowance of £25,000 per annum.
- Private medical insurance on a family basis.
- Life assurance cover of four times base salary.
- Store discount of up to 20%.

The cost of providing insurance benefits varies according to premium rates so there is no formal maximum monetary value.

Any relocation allowance will be limited to 50% of base salary (inclusive of any tax payable on expenses reimbursed).

Assessment of performance
None.

Pension

Element and purpose
To provide retirement benefits, support retirement planning, and provide a competitive fixed pay package.

Operation
Pension provision for executive directors is by way of contributions to a defined contribution scheme or cash allowance.

Maximum opportunity
Maximum employer contribution into a defined contribution scheme of 14% of base salary or a cash alternative of 12.5% of base salary, in line with arrangements for other UK colleagues.

Assessment of performance
None.

Policy table continued

Annual Bonus

Element and purpose
To incentivise executive directors to achieve or exceed annual strategic objectives set by the Committee at the start of each financial year.

Operation
Annual Bonuses are earned over the year, based on performance against targets over the financial year.

The Annual Bonus will be delivered as follows:

- bonus earned up to 100% of salary in cash; and
- bonus earned above 100% of salary in shares which are deferred for three years and subject to continued employment in line with plan rules.

Dividend equivalents are payable in respect of any deferred shares that vest.

The Committee has the discretion to adjust the bonus outcome in light of overall underlying performance.

Any adjustment made using this discretion will be explained in the following Annual Report on Remuneration.

Malus and clawback apply under circumstances as set out in the notes to the Policy table.

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

Maximum opportunity
The maximum Annual Bonus award is 200% of salary for the CEO and 190% of salary for the CFO (and any other executive directors).

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

Assessment of performance
The Annual Bonus measures may be based on a mixture of financial, operational, strategic and individual performance measures dependent on the company's goals and strategic priorities over the year under review.

At least 70% of the bonus will be dependent on financial measures.

Performance Share Plan (PSP)

Element and purpose
To incentivise executive directors to deliver on Kingfisher's long-term strategic aims and create sustainable shareholder value, aligning the interests of participants with those of shareholders.

To retain executive directors and provide market competitive total reward.

Operation
Awards are granted annually, and vest after three years subject to performance achieved against performance targets set over not less than a three-year period. All vested shares will normally be subject to a further two-year holding period.

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

The Committee has discretion to adjust the vesting outcome if the formulaic outcome is not felt to produce an appropriate result in light of overall underlying company performance.

Any adjustment made using this discretion will be explained in the following Annual Report on Remuneration.

Malus and clawback apply under circumstances as set out in the notes to the Policy table.

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

Maximum opportunity
The maximum annual award that can be granted each year under the PSP is 275% of salary for the CEO and 260% of salary for the CFO (and any other executive directors) respectively.

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

Assessment of performance
Awards granted will vest based on performance over not less than three years against performance measures determined by the Committee and aligned to the company's strategic priorities. At least 50% of the measures will be based on financial measures.

The performance measures selected for the 2023 grant are:

- 25% Earnings per Share (EPS);
- 25% Return on Capital Employed (ROCE);
- 25% Relative Total Shareholder Return (TSR); and
- 25% on a basket of Environmental, Social and Governance (ESG) measures.

Any substantial or significant changes to the measures will be subject to shareholder consultation.

The performance outcomes will be assessed at the end of the three-year period to ensure they are appropriate within the context of the wider business performance.

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

Directors' remuneration report continued

Policy table continued

Chair and non-executive director fees

Element and purpose
To attract and retain a Chair and non-executive directors of the highest calibre.

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

The Committee reviews the Chair's fees annually.

The Chair's fees are determined with reference to time commitment and relevant benchmark market data. Contributions are made towards the cost of running the Chair's office.

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

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

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

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

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

Fees are paid monthly, wholly in cash.

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

Maximum opportunity
Aggregate annual fees paid to the Chair and non-executive directors are limited by the company's Articles of Association, which may be varied by special resolution of the shareholders.

The current limit contained within the Articles of Association is £1.75 million as approved at the 2014 AGM.

Contributions towards the cost of running the Chair's office will not exceed £60,000 per annum and are included within the aggregate fees set out above.

Assessment of performance
None.

All-employee share plans

Element and purpose
Executive directors may participate in Kingfisher's all-employee share plans on similar terms to other employees.

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

UK-based executive directors may also participate in the Share Incentive Plan (SIP). Designed to promote employee share ownership, the SIP enables employees to make monthly investments in Kingfisher shares.

Maximum opportunity
The maximum limit for the Sharesave is currently £500 per month. The maximum amount an individual may invest in partnership shares under the SIP is currently £150 per month. The SIP also allows the award of free and matching shares up to the limits set by the UK Government. The company may increase the amounts that can be saved or invested under the Sharesave and SIP plans in line with any increases authorised by the UK Government for approved plans.

Assessment of performance
None.

Shareholding requirements

To ensure the alignment of the interests of executives and shareholders over the long term, executive directors are required to build a significant shareholding. The shareholding requirement is 350% of salary for the CEO and 270% for the CFO, and any other executive director.

All shares owned beneficially and nil-cost awards that have vested but that the executive has yet to exercise are considered to count towards the shareholding on a notional post-tax basis.

Until the shareholding requirement is met, executive directors are required to retain 100% of vested post-tax PSP, Deferred Bonus and Alignment Share awards and retain 50% of vested post-tax Delivering Value Incentive (DVI) shares. It is expected that executives would retain 100% of post-tax shares from the DVI awards until the requirement is met.

The full shareholding requirement will apply for two years post-employment. The Committee has established mechanisms to enforce the post-employment shareholding guidelines once an executive director has left the company.

Notes to the Policy table

Selection of performance measures

The measures for the Annual Bonus and the Performance Share Plan will be chosen each year for their alignment to the company's goals and strategic priorities and may vary according to the priorities over the relevant performance periods.

The measures for the 2023/24 Annual Bonus are adjusted pre-tax profit, LFL sales growth and individual strategic measures. Adjusted pre-tax profit and LFL sales growth ensure that executives are focused on delivering both growth and profitability for our shareholders while individual metrics ensure that executives are focused on specific key strategic priorities. The individual measures may vary between performance years depending on strategic priorities for that year. For 2023/24, OEB sales penetration and digital sales penetration were chosen for both executive directors as they are fundamental to the company strategy over 2023/24.

For the 2023 PSP, the measures chosen are EPS, ROCE, Relative TSR and ESG. EPS was chosen to ensure sustainable, long-term delivery of profit for our shareholders with ROCE ensuring the efficient use of our capital to generate sustainable returns for shareholders. Relative TSR is measured against the constituents of the FTSE 350 Retailers, FTSE 350 Drug and Grocery Stores as well as the STOXX 600 Drug and Grocery Stores. The group ensures that we deliver strong shareholder returns within the context of an appropriate group of peers.

ESG measures provide a direct link to our Responsible Business agenda and recognise our long-term goals and commitments. For the 2023 PSP, the ESG bucket of measures will continue to reflect our commitment to the planet with (1) a measure addressing climate change and (2) a measure on sourcing of our wood and paper products, as well as (3) an inclusion-based measure (gender diversity). These proposed measures reflect the importance of Kingfisher's long-term goals in respect of the wider external context (climate change), sustainable wood and paper products (sourcing) and our commitment to improve the representation of our women in senior leadership roles.

The targets are set each year to ensure they are appropriately stretching taking into account short and long internal forecasts and ambitions as well as external forecasts and views. The specific measures, targets and weightings may vary from year to year to align with the company's strategy.

Malus and clawback

Malus and clawback may operate in respect of the Annual Bonus and Deferred Bonus Shares and PSP awards granted under the Kingfisher Performance Share Plan (KPSP) as well as legacy Alignment Shares and DVI awards granted under the Kingfisher Alignment Share and Transformation Incentive Plan (KASTIP). These provisions enable the company to reduce (including, if appropriate, to nil) the payout and vesting levels or to recover the relevant value following the cash bonus payout or vesting of shares. These provisions will apply to the cash bonus for a period of three years following payment, to the Deferred Bonus Awards during the three-year deferral period and for a period of two years following vesting of the PSP and legacy Alignment Share and DVI grants. These provisions could take effect in the event of financial misstatement, miscalculation due to an error, serious reputational damage, or material misconduct in individual cases.

Change of control

In the event of a change of control, share awards will normally vest subject to performance conditions. PSP awards, legacy Alignment Shares and DVI awards will normally be reduced on a time pro-rated basis in line with the treatment for good leavers, which is set out in the 'Policy on payment for loss of office' section of this Directors' Remuneration Policy. Deferred Bonus share awards will normally vest on change of control. The Committee retains discretion to replace awards with an equivalent share award in the acquiring company.

The Committee may alternatively consider that such a reduction is inappropriate, e.g. if it is agreed with an acquirer to roll over outstanding awards. Other awards may be reduced at the Committee's discretion.

Discretions

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

- The determination, and timing, of any bonus payment.
- The impact of a change of control or restructuring.
- Overriding formulaic outcomes in line with the provisions of the UK Corporate Governance Code.
- Adjustments for accounting or equivalent changes for the Annual Bonus.
- Any adjustments required as a result of a corporate event (such as a transaction, corporate restructuring event, special dividend, share buyback or rights issue).

Directors' remuneration report continued

Discretions set out as part of this Policy provide the Committee with discretion in certain matters regarding the administration and operation of Deferred Bonus and KPSP awards as well as legacy Alignment Shares and DVI awards (as set out in the corresponding plan rules approved by shareholders), including, but not limited to the following:

- The assessment of good leaver status.
- Overriding formulaic outcomes in line with the provisions of the UK Corporate Governance Code.
- Adjustments for accounting or equivalent changes for the KPSP and the KASTIP.
- Minor administrative matters to improve the efficiency of the operation of the plans or to comply with local tax law or regulation.
- Any adjustments to performance conditions or awards required as a result of a corporate event (such as a transaction, corporate restructuring event, special dividend, share buyback or rights issue).

In relation to the Annual Bonus Plan, KPSP awards, legacy Alignment Shares and DVI awards, and in line with the plan rules, the Committee retains the ability to amend the performance conditions and/or measures in respect of any award or payment if one or more event(s) occur that would lead the Committee to consider that it would be appropriate to do so, provided that such an amendment would not be materially less difficult to satisfy than the original performance condition would have been but for the event in question.

Should the Committee use any of the discretions set out above, these would, where relevant, be disclosed in the following Annual Report on Remuneration. The views of major shareholders may also be sought. Discretion in relation to the company's All-Employee Share Plans (Sharesave and SIP) would be exercised within the parameters of the HMRC-approved plan status and the FCA's Listing Rules.

Legacy awards

In-flight awards made before the adoption of this Policy will continue in line with the approved Policy under which they were granted. Further details of these awards can be found within the Remuneration Policy approved at the 9 July 2019 AGM and included within the 2018/19, 2019/20, 2020/21 and 2021/22 Annual Report and Accounts.

Differences in Remuneration Policy for all employees

The remuneration structure for members of the Group Executive follows a similar approach as for the executive directors but with a lower maximum opportunity as appropriate under the Annual Bonus and KPSP. The performance measures attached to the Annual Bonus are a combination of Group financial and strategic measures, banner-specific financial and strategic measures and/or functional measures, depending on the Group Executive member's role and responsibilities. Like the executive directors, bonus earned over 100% of salary is paid into deferred shares. KPSP awards for the Group Executive have the same performance conditions as the executive directors.

For the next two levels of management below the Group Executive, the remuneration structure consists of base salary, benefits, pension, Annual Bonus and KPSP awards. Performance measures attached to the Annual Bonus are tailored to reflect the position of the individual and the part of the business in which they operate, and as such are a combination of Group financial and strategic measures, banner-specific financial and strategic measures and/or functional measures. Vesting of the KPSP awards for these colleagues will be primarily based on the same measures as the executive directors and Group Executive, however there is also an element based on time in employment only for these colleagues.

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

Statement of consideration of employment conditions elsewhere in the company

The CPO is invited to present to the Committee the proposals for salary increases for the employee population generally and on any other remuneration changes. The CPO consults with the Committee on the performance conditions for the executive directors' bonuses and the extent to which these should be cascaded to other employees. The Committee has oversight of all long-term incentive awards across the Group.

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

The Group did not consult with employees when drafting the Directors' Remuneration Policy. However as part of a Kingfisher Colleague Forum, colleagues were advised on remuneration arrangements of executive directors and how these align with the arrangements offered elsewhere in the organisation.

Statement of consideration of shareholder views

When determining the Remuneration Policy, the Committee consulted with the company's largest shareholders in respect of changes to the proposals and also reviewed best practice guidelines issued by institutional investor bodies. The Committee took on board the feedback received when finalising the proposals.

The Committee continues to always be open to feedback from shareholders on our Remuneration Policy and remuneration arrangements and commits to ensuring consultation with our largest shareholders in advance of any significant changes to the Remuneration Policy or structure. The Committee continues to monitor trends and developments in corporate governance and market practice to ensure the structure of executive remuneration remains appropriate.

Section 40 disclosures

When considering the Policy and its implementation, the Committee took into account Provision 40 of the UK Corporate Governance Code and considers the framework meets the factors under the provisions as follows:

– Clarity: The Committee has provided transparent disclosures regarding the Remuneration Policy and structure. Changes have been explained in the context of alignment to the strategy and market practice. The Remuneration Committee Chair has engaged with our shareholders on the Remuneration Policy. The Company has explained the remuneration structure with the relevant broader population through a variety of methods including group and one-on-one meetings and guides.
– Simplicity: The Committee has improved the simplicity of the incentive arrangements with fewer measures with more meaningful weightings on the Annual Bonus than under the previous Policy. There is only one share award plan applicable for executive directors (and other employees), the KPSP, which is market-aligned in structure and granted annually.
– Risk: The Committee believes that the incentive structures under the Remuneration Policy do not encourage inappropriate risk taking. The targets set for the Annual Bonus and KPSP are stretching and set in line with strategic priorities and sustainable value creation. All incentive arrangements have malus and clawback provisions including in the event of serious reputational damage and for material misconduct. The Committee can also override formulaic outcomes if it concludes that incentive outcomes are not representative of underlying performance.
– Predictability: The Annual Bonus and KPSP have maximum levels of opportunity with vesting/payment outcomes dependent on achievement of performance measures. The range of vesting/payment outcomes is set out in the scenario charts on page 87 which also demonstrate the impact of a 50% share price increase from date of grant to vesting.
– Proportionality: Performance conditions attached to the Annual Bonus and PSP are directly and clearly linked to the achievement of Kingfisher's strategic priorities both in the short and longer term. The level of stretch in the performance conditions have been and continue to be set to compensate participants accordingly. Bonus deferral, KPSP holding periods and shareholding requirements (including post-exit) ensure significant alignment to long-term value creation.
– Alignment to culture: As discussed above, there is a strong alignment of the incentive arrangements under the Remuneration Policy with Kingfisher's strategic priorities.

Approach for recruitment remuneration

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

Directors' remuneration report continued

Policy for payment for loss of office

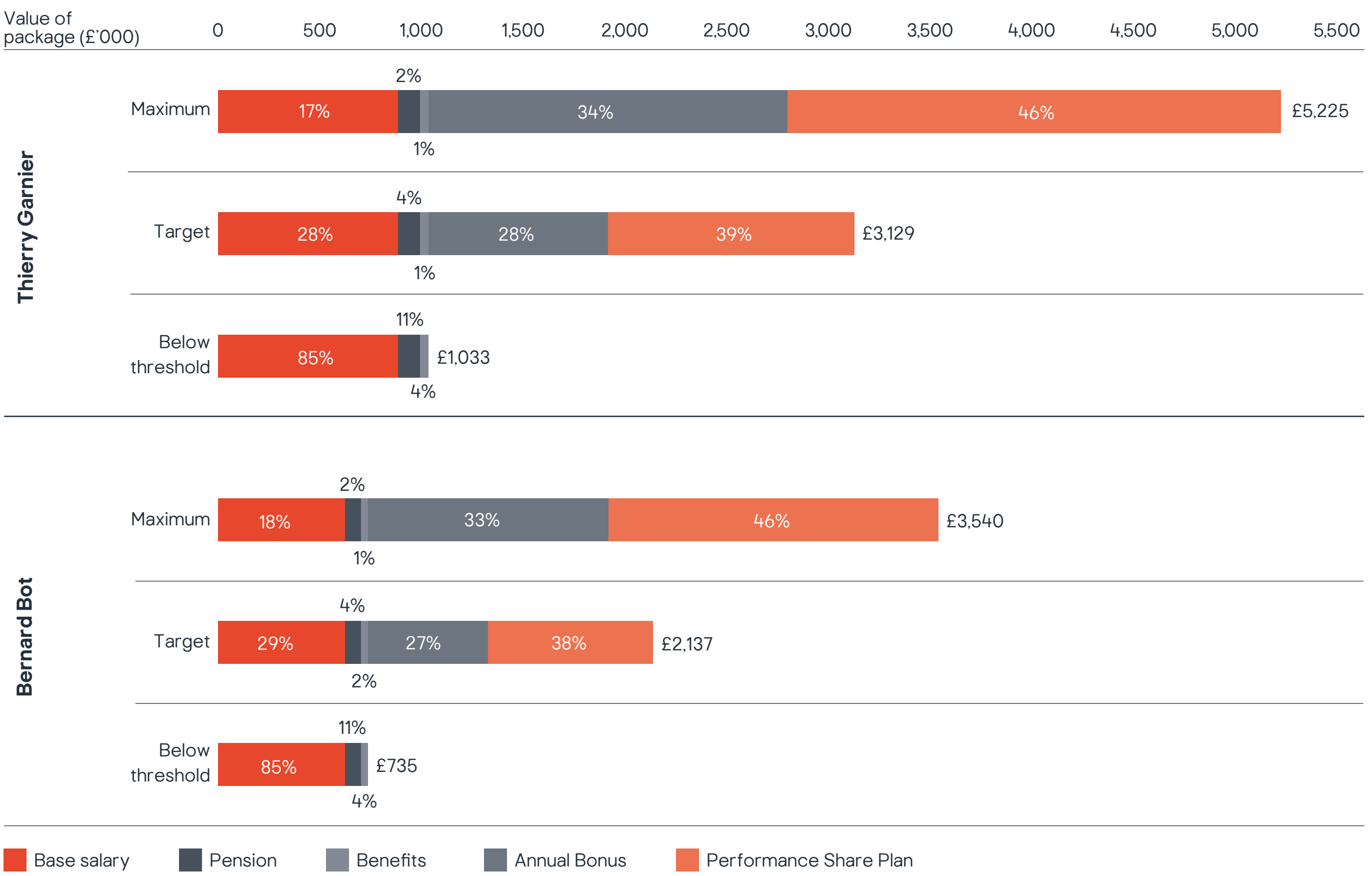
Area	Policy
Notice period	12 months' notice by either the director or the company.
Non-compete	During employment and for 12 months after cessation of active employment.
Executive directors' contractual termination payment	**Resignation** No payments on departure will be made on termination, even if by mutual agreement the notice period is cut short. **Departure not in the case of resignation** For the period of notice served, the executive director may continue to receive their monthly base salary, benefits and pension. During this time, at the discretion of the company, they may continue their duties or be assigned garden leave. For the period of notice not served, the executive director may receive a payment in lieu of notice. No other payments should be due on departure. **Settlement agreement** The Committee may agree payments it considers reasonable in settlement of legal claims. This may include an entitlement to compensation in respect of a director's statutory rights under employment protection legislation in the UK or in other jurisdictions. The Committee may also include in such payments reasonable reimbursement of professional fees in connection with such agreements.
Treatment of incentives for bad leavers	Any outstanding awards under any incentive plans will lapse in the event of the Committee determining the departing individual to be a bad leaver as defined by the Plan Rules.
Leaver provisions for Annual Bonus for good leavers	Bonus payments may be receivable at the normal date, pro-rated for time, and taking into account performance achieved. Bonus deferral still applies. Deferred Bonus awards vest on the normal date in full. Where the participant ceases to be employed as a result of death, the Deferred Bonus award will vest in full shortly after the company is notified. The Committee retains the ultimate discretion to make bonus payments and determine the basis upon which they are made (including if bonus deferral still applies) and their vehicle and value, taking into account the individual circumstances of the departure. The Committee may, in its discretion, accelerate vesting of the Deferred Bonus award up to the point of departure.
Performance Share Plan for good leavers	Awards will vest on the normal date, pro-rated for time, and will take into account performance achieved. The Committee retains discretion to further reduce the awards granted to reflect any personal performance issues or accelerate vesting. Where the participant ceases to be employed as a result of death, the award will vest shortly after the company is notified, pro-rated for time, and taking into account the Committee's assessment of performance achieved to that date. The Committee may decide, acting fairly and reasonably, that any adjustment set out above to reduce the vesting of the award would be inappropriate.
Shareholding requirements	Upon leaving the company, the shareholding requirement will continue to apply for two years. The shareholding requirement will be 100% of the shareholding requirement for two years after departure. Shareholding requirements will no longer apply in the case of death. At its discretion, the Committee may apply the same treatment in cases of ill health.
Chair and non-executive directors' contractual termination payment	Non-executive directors are appointed under letters of engagement. Appointments have historically been for an initial period of three years and invitations to act for subsequent three-year terms are subject to a review of performance and take into account the need to progressively refresh the Board. The appointment may be terminated by either party giving the other not less than three months' prior written notice, unless terminated earlier in accordance with the company's Articles of Association. The company has no obligation to pay compensation when the appointment terminates.

Leavers will be treated for all-employee share plans in line with the plan rules of the relevant share plan. Good leaver is defined under the plan rules, and relates to individuals who leave as a result of:
- ill health, injury or disability;
- death;
- redundancy;
- transfer of employer or employing business out of Group;
- retirement; or
- any other reason that the Committee decides.

A bad leaver is any leaver not defined as a good leaver.

Illustration of the application of the Remuneration Policy

The tables and charts below provide estimates of the potential total future remuneration for each executive director based on the remuneration opportunity expected to be granted in 2023/24. Potential outcomes for each executive director, based on three different performance scenarios, are shown.



Notes:
Base salary: reflects the salary effective from 1 April 2023.
Benefits: estimate based upon benefits received during 2022/23 as recorded in the single total figure of remuneration table (excluding the relocation allowance for Thierry Garnier).
Pension: shown as a percentage of salary in line with Policy.
Fixed remuneration: comprises base salary, benefits and pension.
Short-term variable compensation comprises the Annual Bonus including the deferred element. Long-term variable compensation comprises the PSP.
The Committee has also calculated the implied maximum remuneration scenario with the overlay of 50% share price increase on any vested PSP awards. This would equate to a total value of £6,438k for Thierry Garnier's package and £4,350k for Bernard Bot's package.

Below threshold	On-target	Maximum
Only the fixed pay elements (base salary, benefits and pension) of the package are received. Minimum performance targets for the Annual Bonus and PSP are not achieved, therefore no payments are made, and awards will lapse.	Fixed pay elements plus target Annual Bonus are received and target PSP vest. Annual Bonus on-target performance is achieved, 50% of the bonus paying out (100% of salary for CEO, 95% of salary for CFO). PSP vesting at 50% of maximum (137.5% of salary for CEO, 130% of salary for CFO).	Fixed pay elements plus maximum Annual Bonus are received and full vesting under the PSP. Annual Bonus maximum performance achieved, resulting in a bonus of 200% and 190% of salary for the CEO and CFO respectively. Full vesting under the PSP (275% of salary for CEO, 260% of salary for CFO).

Directors' remuneration report continued

Annual Report on Remuneration

This section of the report outlines how the Committee implemented the Directors' Remuneration Policy (the Policy) in the financial year. This report, together with the Annual Statement from the Chair of the Remuneration Committee will be put to shareholders for approval at the 2023 AGM. Shareholder approval in respect of the Annual Report on Remuneration is on an advisory basis only.

These reports have been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and include the items required to be disclosed under 9.8.6R and 9.8.8R of the Financial Conduct Authority's Listing Rules. Where information disclosed has been subject to audit by the Group's auditor, Deloitte LLP, this is highlighted.

The Remuneration Committee

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

The 2022/23 effectiveness evaluation was facilitated by external provider, Independent Audit, and concluded that the Committee operates effectively and raised no areas of immediate concern. Further detail on the evaluation process can be found on page 69.

Committee composition

The Committee comprised the following members during the year:

	Date appointed to the Committee	Eligible	Attended
Claudia Arney*	1 November 18	4	4
Catherine Bradley	2 November 20	4	4
Jeff Carr	29 January 19	4	4
Andrew Cosslett	13 June 17	4	4
Rakhi Goss-Custard	13 March 18	4	4

* Chair of the Committee.

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

Activities during the year

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

Areas of Committee focus	Items discussed
Directors' Remuneration Policy	Approved the Remuneration Policy (approved at the 2022 AGM) following consultation with shareholders.
Salary review and remuneration decisions	Reviewed and approved the salary proposals in respect of the Group Executive and executive directors, effective from April 2023. Also reviewed and approved salary proposals for the Chair of the Board and the Company Secretary.
Annual Bonus	Judged performance against the 2021/22 strategic measures and agreed the 2021/22 Annual Bonus outturn and final level of payment for the members of the Group Executive and executive directors. Approved measures for the 2022/23 Annual Bonus. Assessed performance against the 2022/23 Annual Bonus measures and reviewed the year-end forecast. Approved amendments to the Annual Bonus Plan Rules effective for the 2022/23 Annual Bonus.
Alignment Shares	Reviewed the performance of the 2019 Alignment Share awards and determined that the awards would vest in full. Assessed performance to date of the 2020 and 2021 Alignment Shares, which will vest in 2023 and 2024 respectively.
Delivering Value Incentive	Reviewed performance of the first performance period of the 2019 DVI award and determined the formulaic outturn. Monitored performance of the second performance period of the 2019 DVI award.
Performance Share Plan	Approved the Kingfisher Performance Share Plan Rules which were submitted to shareholders for approval at the 2022 AGM. Approved the performance measures and targets of the 2022 PSP following consultation with shareholders. Approved subsequent grant of awards. Assessed performance to date of the 2022 PSP award which will vest in 2025. Considered and approved the measures and targets of the 2023 PSP.
Governance and other areas of focus	Kept under review the company's approach to wider workforce remuneration and the company's response to pressures on cost of living. Considered and approved the company's guidelines on share ownership. Monitored developments in corporate governance and market practice in respect of executive remuneration. Reviewed the output of the annual evaluation of the Committee. Reviewed and approved the 2021/22 Directors' remuneration report. Reviewed the principles of the executive travel and expenses policy. Received updates on and considered Kingfisher's gender pay gap reporting.

Advisers to the Committee

During the financial year ended 31 January 2023, PricewaterhouseCoopers LLP (PwC) provided services to the Committee. The advice received from PwC by the Committee was considered, and it was determined that PwC provides objective and independent advice to the Committee. The Committee is satisfied that the PwC engagement partner and team, who provide remuneration advice to the Committee, do not have connections with the Group that may impair their objectivity and independence.

PwC was appointed by the Committee as its principal adviser on 1 February 2013 following a robust tender process. PwC is a member of, and adheres to, the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com). During the year, PwC provided the Committee with executive remuneration advice. PwC also provided Kingfisher with reward advice for below-Board staff, tax advice, accounting advice, and legal advice during the year. For services provided to the Remuneration Committee, the fees paid to PwC were £155,750. These fees were incurred through a retainer, and on a time and expenses basis.

Voting at the 2022 Annual General Meeting (AGM)

The following table shows the results of the advisory vote on the Annual Report on Remuneration and the binding vote on the Remuneration Policy at the 2022 AGM.

Resolution	Votes for (and % of votes cast)	Votes against (and % of votes cast)	Proportion shares voted	Shares on which votes were withheld
Annual Report on Remuneration	1,676,791,695 (96.36%)	63,391,071 (3.64%)	86.57%	150,191
Directors' Remuneration Policy	1,620,253,983 (93.11%)	119,882,346 (6.89%)	86.57%	195,473

Directors' remuneration report continued

Single total figure of remuneration for the executive directors (audited information)

The table below sets out the remuneration of each of the executive directors for the financial year ended 31 January 2023 and the comparative figures for the financial year ended 31 January 2022. The Committee did not exercise any discretion in determining the incentive outcomes for the year being reported on.

Name		1. Base salary £'000	2. Taxable benefits £'000	3. Annual Bonus £'000	4. Alignment Shares £'000	5. Pension £'000	6. Total Fixed pay £'000	7. Total Variable Pay £'000	8. Total Pay £'000
Executive director									
Thierry Garnier	**2022/23**	**836.4**	**52.0**	**265.2**	**680.0**[1]	**104.6**	**993.0**	**945.3**	**1,938.3**
	2021/22	813.3	43.3	634.4	816.1[2]	101.7	958.3	1,450.5	2,408.9
Bernard Bot	**2022/23**	**590.7**	**33.7**	**177.9**	**480.3**[1]	**73.8**	**698.3**	**658.2**	**1,356.5**
	2021/22	574.4	35.3	448.0	295.1[2]	71.8	681.6	743.2	1,424.7
Total	**2022/23**	**1,427.1**	**85.8**	**443.2**	**1,160.3**[1]	**178.4**	**1,691.3**	**1,603.5**	**3,294.8**
	2021/22	1,387.8	78.7	1,082.4	1,111.2[2]	173.5	1,639.9	2,193.7	3,833.6

1. 100% of the 2020 Alignment Share award granted to Thierry Garnier and Bernard Bot will vest on 28 July 2023. These awards in the table above have been valued based on the average share price during the three-month period to 31 January 2023 of 246.1p. Values include dividend equivalents accrued since the date of grant. The difference between the share price at the date of grant of the 2020 Alignment Shares (of 249.3p) and the three-month share price average is -0.3p. No value was attributable to share price growth. No discretion has been exercised as a result of the share price change.
2. The value of the 2019 Alignment Share award for Thierry Garnier and Bernard Bot has been updated using the share price at date of vesting (30 July 2022) of 258.6p and includes values of dividend equivalents accrued from date of grant to vesting. The difference between the share price at the date of grant of the 2019 Alignment Shares (215.4p) and the date of vesting (258.6p) is 43.2p which means that £136k and £49k of 2019 Alignment Shares values detailed in the table above have been delivered through share price growth performance for Thierry Garnier and Bernard Bot respectively. No discretion has been exercised as a result of the share price change.

Notes to the single total figure of remuneration table

1. Base salary (audited information)

A 3% salary increase was awarded to the executive directors for the 2022/23 financial year which was in line with the increase awarded to the wider UK workforce based in head offices.

Name	**As at 1 April 2022 £'000**	As at 1 April 2021 £'000	% increase
Executive director			
Thierry Garnier	**840.5**	816.0	3%
Bernard Bot	**593.6**	576.3	3%

2. Taxable benefits (audited information)

The benefits provided to executive directors for both 2022/23 and 2021/22 included car benefit (or cash allowance), private medical insurance, life assurance, tax advice and where applicable, relocation support.

Name	Car benefit[1] £'000	Medical £'000	Relocation support[2] £'000	Tax advice[3] £'000	Life assurance £'000	**Total 2022/23 £'000**	Total 2021/22 £'000
Executive director							
Thierry Garnier	25	9.9	11.9	1.9	3.4	**52.0**	43.3
Bernard Bot	25	6.4	n/a	n/a	2.4	**33.7**	35.3

1. Both directors opt for a cash allowance.
2. As Thierry Garnier moved from China to the UK as part of his appointment as CEO, in line with the Remuneration Policy, he was entitled to relocation support of up to 50% of salary. The majority of support was provided to him in 2019 and 2020. He continued to receive residual relocation support in 2022.
3. This benefit relates to ongoing annual tax preparation assistance provided to the CEO. This assistance is limited to income tax return preparation required in respect of the CEO's employment income. Note that this figure is inclusive of tax payable on expenses reimbursed.

3. Annual Bonus (audited information)

The purpose of the Annual Bonus is to focus executives on the achievement of measures that are critical to the Kingfisher strategy. The 2022/23 Annual Bonus for the executive directors was based on the following measures:

- 40% Adjusted pre-tax profit;
- 40% Like-for-like sales growth (LFL sales growth);
- 10% Own exclusive brands (OEB) sales growth; and
- 10% Digital sales growth.

The following table sets out the targets that were set in respect of each of these measures, the corresponding achievement against those targets during the year ending 31 January 2023, and the resulting payout.

	Targets				
Measure	Threshold (10% of max)	Target (50% of max)	Stretch (100% of max)	Achievement	Outturn
Adjusted pre-tax profit (40%)	£761m	£855m	£949m	£757.8m	0.0%
LFL sales growth (40%)	(4.8)%	0.2%	5.2%	(2.1)%	12.7%
OEB sales growth (10%)	(4.8)%	0.2%	5.2%	(2.1)%	3.2%
Digital sales growth (10%)	(3.6)%	6.4%	16.4%	(8.8)%	0.0%
Total Outturn					**15.9%**

At the Remuneration Committee meeting in March 2023, the Committee considered performance against all measures and targets set at the beginning of the year and concluded that all remain relevant over the performance period. Note for Adjusted pre-tax profit, for bonus purposes, this is calculated on constant currency which is why this value slightly differs from the rest of the Annual Report.

This means that the total outturn under the 2022/23 annual bonus for executive directors is 15.9% of maximum. The final payout equates to 31.7% of salary for the CEO and 30.1% of salary for the CFO which is £265,218 and £177,944 respectively. In line with the Policy, as the bonus is less than 100% of salary, it was wholly delivered in cash.

In determining whether this level of bonus outturn is appropriate, the Committee has considered a wide range of factors including financial performance, the value delivered to shareholders, the treatment of the wider workforce as well as other stakeholders. The Committee concluded that a bonus of 15.9% of maximum for 2022/23 is appropriate and that there are no factors which would call for discretion or judgement to be applied. This level of performance against the relevant measures will also apply to our bonused colleagues throughout the Group as appropriate.

4. Alignment Shares (audited information)

At the March 2023 Remuneration Committee meeting, the Committee reviewed performance against the underpins attached to the Alignment Shares awarded in 2020 that are due to vest in 2023. Both the executive directors have a 2020 Alignment Share award. The ratio of net debt to EBITDA for 2022/23 is 1.6 times. This means the underpin of a net debt to EBITDA ratio of below 2.5 times has been met. The proposed total year dividend for 2022/23 is 12.40p. This is more than 3.33p required for the maintenance of dividend underpin to be met. The dividend cover calculated as the ratio of reported adjusted EPS to full year ordinary dividend per share is also above the required underpin of 1.75 times at 2.40 times. This means that 100% of the executive directors' awards will vest on 28 July 2023. The Committee believes this outturn is appropriate and is reflective of performance over the performance period. The Committee reviewed the vesting of the Alignment Share awards to determine whether it included any windfall gains. However, as the Alignment Share awards were granted after the share price had recovered from the immediate impacts of the pandemic, it determined that there was no windfall gain to account for, and therefore no adjustment was necessary. This is evidenced by the fact that the share price at grant was 249.3p, significantly above the share price, pre-pandemic, and at the start of the financial year of 204p. The vested awards are subject to a two-year holding period.

The number and value of the awards vested for the current executive directors are as follows:

Name	Number of shares vested[1]	Number of dividend equivalents[2]	Value of shares vested[3] £'000
Executive director			
Thierry Garnier	**255,013**	21,317	680.0
Bernard Bot	**180,103**	15,054	480.3

1. The number of shares shown represents the proportion of the Alignment Share award granted in July 2020, which is expected to vest on 28 July 2023.
2. Based on dividends accrued to date of publication of the report.
3. Calculated using the three-month average share price to 31 January 2023 of 246.1p. No value was attributable to share price growth.

Directors' remuneration report continued

5. Pensions (audited information)

Executive directors based in the UK are eligible to join the UK defined contribution pension plan (the DC Scheme). No executive director has a prospective right to a defined benefit pension.

The company operates a policy for all employees to limit the combined employer and member pension contributions during a tax year to the annual allowance, with the excess employer contribution being directed into a taxable monthly cash allowance. In addition, employees may opt out of the scheme completely. The executive directors have both opted to receive a cash allowance of 12.5% of salary in lieu of pension employer contribution. This is aligned to the offering to the wider UK workforce as detailed in Remuneration Policy on page 80.

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

Name	Notional employer contribution rate into defined contribution pension scheme for which the individual is eligible	Member of the UK DC Scheme?	Cash allowance in lieu of employer contributions into DC Scheme	Cash allowance rate as % of salary
Executive director				
Thierry Garnier	14%	No	Yes, in full	12.5%
Bernard Bot	14%	No	Yes, in full	12.5%

Pension benefits paid during the year

Name	Employer contributions into DC Scheme £'000	Cash alternative £'000	Total 2022/23 £'000	Total pension benefit as a % of base salary
Executive director				
Thierry Garnier	n/a	104.6	104.6	12.5%
Bernard Bot	n/a	73.8	73.8	12.5%

Payments to past directors (audited information)

As communicated in the 2021/22 Remuneration Report part of Véronique Laury's 2019 Alignment Share award vested in 2022. The number of shares and the values of these awards on the vesting date are as follows:

Awards	Vesting date	Number of shares vested[1]	Number of dividend equivalents[2]	Value of shares vested[3] £'000
2019 Alignment Share Award (based on performance underpins)	30 July 2022	166,291	11,294	459.2

1. 100% of the 2019 Alignment Share grant vested based on achievement of performance underpins.
2. Based on dividends accrued to vesting date.
3. Values have been calculated using the closing share price on the vesting date which is 258.6p for the 2019 Alignment Share Award.

These awards are subject to a two-year holding period.

Payments for loss of office (audited information)

There were no payments made to directors for loss of office.

Outside appointments for executive directors

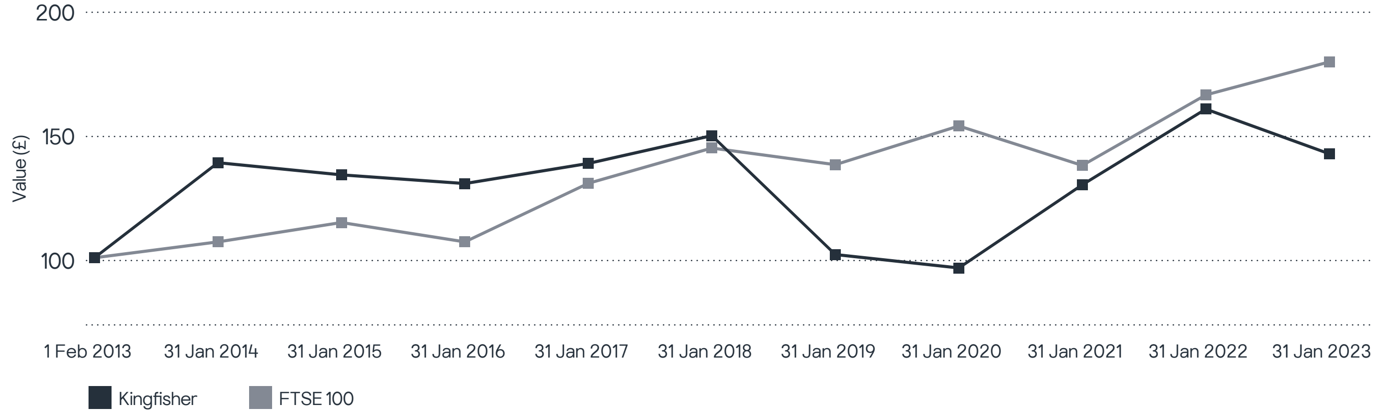
Subject to the rules governing conflicts of interest, Kingfisher is supportive of its executive directors holding one external non-executive position. The exercise of such roles can provide valuable insight for the executive directors, which can be of benefit to Kingfisher. Subject to the Committee's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

Thierry Garnier was appointed a non-executive director and a member of the remuneration committee at Tesco plc on 30 April 2021. Thierry receives £98,250 per annum for fulfilling this role. Bernard Bot is a non-executive director and a member of the audit committee at A.P. Møller–Mærsk A/S. Bernard receives 1,300,000DKK per annum for fulfilling this role.

Both executive directors retain their fees.

Performance graph

The graph below shows Kingfisher's total shareholder return for the 10 years to 31 January 2023, which assumes that £100 was invested in Kingfisher on 1 February 2013. The company chose the FTSE 100 Index as an appropriate comparator for this graph, as Kingfisher has been a constituent of that index for the majority of the period.



CEO's remuneration over the last 10 years

The table below sets out the total remuneration of the holder of the office of CEO for the period from 1 February 2013 to 31 January 2023.

Year	CEO	Bonus % of maximum awarded[1]	Value of bonus awarded £'000	Original Alignment Share grant as a % of salary[2]	Alignment Share % of maximum vesting[2]	Value of shares vested £'000	Original LTIP grant level as a % of salary[3]	LTIP % of maximum vesting	Value of vested shares £'000	CEO's single figure £'000
2013/14	Sir Ian Cheshire	32.0	532.7	–	–	–	500	31.1	1,799.4	3,455.4
2014/15	Sir Ian Cheshire/Véronique Laury[4]	12.3	202.6	–	–	–	n/a	n/a	n/a	1,306.1
2015/16	Véronique Laury	69.1	967.4	–	–	–	n/a	n/a	n/a	1,983.0
2016/17	Véronique Laury	90.0	537.0	20[5]	100	151.1	200	24.5	100.1	1,715.1
2017/18	Véronique Laury	87.0	534.2	20[5]	100	156.9	200	0.0	0.0	1,582.6
2018/19	Véronique Laury	82.0	522.0	50[6]	62.5	323.8	n/a	n/a	n/a	1,761.3
2019/20	Véronique Laury/Thierry Garnier[7]	0	0	20[6]/n/a[8]	25.0/n/a	136.2/n/a	n/a	n/a	n/a	1,178.7
2020/21	Thierry Garnier	79.8	510.7	n/a[8]	n/a	n/a	n/a	n/a	n/a	1,656.2
2021/22	Thierry Garnier	97.5	634.4	80[9]	100	816.1	n/a	n/a	n/a	2,408.9
2022/23	Thierry Garnier	15.9	265.2	80[10]	100	680.0	n/a	n/a	n/a	1,938.3

1. The maximum bonus opportunity was 200% of base salary up to the end of the 2015/16 financial year. The maximum bonus opportunity from 2016/17 to 2021/22 was 80% of salary. The maximum bonus opportunity from 2022/23 onwards is 200% of salary.
2. Element of reward introduced under the Remuneration Policy approved by shareholders at the 2016 AGM.
3. The original LTIP grant shows the award level at the point of grant, three years prior to the date the vesting percentage was determined.
4. Sir Ian Cheshire stepped down as CEO on 8 December 2014, at which point Véronique Laury took over the position. Sir Ian Cheshire's remuneration in the table is from the start of the financial year up until 8 December 2014, and Véronique Laury's is from 8 December 2014 to the end of the financial year. The single total figure in the table above shows the combined total remuneration for both Sir Ian Cheshire and Véronique Laury.
5. This represents 25% of the total Alignment Share award (equivalent to 80% of salary) granted in 2016 and 2017 respectively. This portion vested upon grant. The remaining 75% of this award (equivalent to 60% of salary) may vest three years after the date of grant, subject to performance against the underpin measures set out in the corresponding Remuneration report.
6. This represents 25% of the total Alignment Share award (equivalent to 80% of salary) granted in 2018 or 2019 (that vested upon grant) and 75% of the total Alignment Share award granted in 2016 (that partially vested in June 2019) and in 2017 (which lapsed in full) for Véronique Laury and which were subject to performance against the underpin measures set out in the corresponding Remuneration report.
7. Véronique Laury stepped down as CEO on 24 September 2019, at which point Thierry Garnier took over the position. Véronique Laury's remuneration in the table is from the start of the financial year up until 24 September 2019, and Thierry Garnier's is from 25 September 2019 to the end of the financial year. The single total figure in the table above shows the combined total remuneration for both Véronique Laury and Thierry Garnier.
8. 100% of the Alignment Share award granted to Thierry Garnier (equivalent to 80% of salary) in 2019 and 2020 is subject to performance against the underpin measures set out in the corresponding Remuneration report.
9. The figure for 2021/22 represents 100% of the 2019 Alignment Share Award granted to Thierry Garnier vesting based on performance against the underpins as detailed in this Remuneration report. 100% of the Alignment Share award granted to Thierry Garnier (equivalent to 80% of salary) in 2021 is subject to performance against the underpin measures set out in the corresponding Remuneration report.
10. The figure for 2022/23 represents 100% of the 2020 Alignment Share Award granted to Thierry Garnier vesting based on performance against the underpins as detailed in this Remuneration report.

Directors' remuneration report continued

Change in the remuneration of the directors

The table below shows how the percentage change in each director's (including the non-executive directors') salary, fees, taxable benefits and bonus between 2020/21 and 2022/23 compared with the average percentage change of each of those components for all full-time equivalent employees based in Kingfisher plc (as required by regulations). In line with prior years, the percentage change for each director has also been compared to the UK employee workforce (the UK entities, including B&Q and Screwfix). The UK employee workforce is deemed to be a suitable comparator group as the executive directors are based in the UK (albeit with global roles and responsibilities) and pay changes across Kingfisher vary widely depending on local market conditions.

	Base salary/fees[1]			Taxable benefits			Bonus		
	2022/23	2021/22	2020/21	2022/23	2021/22	2020/21	2022/23	2021/22	2020/21
Executive directors									
Thierry Garnier[2]	2.8%	8.9%	-6.7%	20.1%/ 1.2%[3]	-85.8%/ -10.9%[3]	112%/ 15.2%[3]	-58.2%	24.2%	n/a
Bernard Bot[2]	2.8%	8.9%	-6.7%	-4.5%	-1.0%	1.0%	-60.3%	24.2%	n/a
Non-executive directors									
Andrew Cosslett	3.0%	10.0%	-9.1%	6.6%	1.1%	8.6%	n/a	n/a	n/a
Claudia Arney	0.0%	12.8%	17.7%[4]	n/a	n/a	n/a	n/a	n/a	n/a
Catherine Bradley[5]	23.2%[6]	47.3%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jeff Carr	11.6%[6]	12.8%	-10%	n/a	n/a	n/a	n/a	n/a	n/a
Sophie Gasperment[7]	0.0%	47.5%	-10%	n/a	n/a	n/a	n/a	n/a	n/a
Rakhi Goss-Custard	45.2%[6]	13.3%	-10%	n/a	n/a	n/a	n/a	n/a	n/a
Bill Lennie[8]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
All Kingfisher plc employees	7.4%	-2.6%	-13.8%	27.4%	-31.8%[9]	-33.0%	-60.8%	70.1%	97.66%
All UK employees[10]	11.0%	7.1%	-0.6%	12.5%	-6.3%	-19.1%	-55.6%	3.4%	128.8%

1. Percentages reflect cuts in salary and fees made between April 2020 and July 2020 for executive directors and between April 2020 and September 2020 for non-executive directors.
2. Joined on 25 September 2019 and 19 October 2019: percentages between 2020/21 and 2019/20 have been calculated on a full-time basis. No bonus was paid for 2019/20 so percentage change between 2020/21 and 2019/20 could not be calculated.
3. First figure includes relocation paid during 2022/23, 2021/22 and 2020/21, the second excludes it.
4. Became Chair of the Remuneration Committee on 21 January 2020. Fee for this role is £20,000 on top of non-executive director fees.
5. Joined on 2 November 2020 and became Senior Independent Director on 29 January 2021. Fee for this role is £20,000 on top of non-executive director fees. Percentages for 2021/22 have been calculated assuming full-time basis.
6. The percentage change between 2021/22 and 2022/23 for the non-executive directors reflect that members of the Audit, Remuneration and Responsible Business Committee receive a fee of £10,000 from 1 February 2022.
7. Started to receive a fee of £20,000 for Chair of Responsible Business Committee from 1 February 2021.
8. Joined on 1 May 2022.
9. The % change in the taxable benefits for employee population is related to the impact Covid-19 had on expenses and benefits claimed during the year.
10. Includes all UK employees including those in B&Q and Screwfix.

Relative importance of spend on pay

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

	2022/23 £m	2021/22 £m	Percentage change
Overall expenditure on pay	**2,002**	2,049	-2.3%
Share buybacks undertaken during the year[1]	**337**	157	114.6%
Total dividends paid in the year	**246**	254	-3.1%

1. During the year the Group purchased 131 million of the company's own shares for cancellation at a cost of £337 million as part of its capital returns programme.

Pay ratio analysis

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022/23	Option B (i.e. 25th percentile, median and 75th percentile individual identified from our April 2022 gender pay gap analysis)	92:1	84:1	79:1
2021/22	Option B[1]	127:1	116:1	113:1
2020/21	Option B	95:1	93:1	71:1
2019/20	Option B	71:1	64:1	56:1
2018/19	Option B	106:1	97:1	81:1

1. Ratios for 2021/22 have been restated using actual share price at vesting of 2019 Alignment Share Award (258.6p) rather than the three month average share price, between November 2021 and January 2022, used at disclosure.

We have used Option B in the legislation to leverage the analysis completed as part of our UK gender pay gap reporting exercise. We have determined our 25th, median and 75th percentile individual using data from the respective 5 April snapshots. While gender pay gap legislation and CEO pay ratio legislation employ different calculations, the three identified UK employees receive similar remuneration structures, and therefore we are confident that they also represent broadly the same respective percentiles when calculated using the single figure of total remuneration methodology required in the CEO pay ratio calculation. Where relevant, each colleague's pay and benefits were calculated on a full-time equivalent basis, and no further adjustments were made. The values for total remuneration for the 25th, median and 75th percentile were £21.1k, £23.0k and £24.6k respectively comprising salary and employer contribution to pension. The salaries for these employees were £20.1k, £21.7k and £23.7k respectively.

The majority of the Group's workforce are store based. Given this workforce profile, the pay and benefits data used to calculate the CEO pay ratio are from colleagues who are store based. These colleagues' reward structure comprises primarily fixed components while the CEO's total remuneration is strongly linked to performance with a significant variable component. The year-on-year change at median can be attributed to the outturns of variable pay elements of the CEO in any given year. The year-on-year change for CEO can be explained by the change in vesting of Annual Bonus between 2021/22 and 2022/23. The remuneration structures for our colleagues are aligned to the market and to our remuneration principles. It is, therefore, the Committee's view that the ratios remain consistent with pay and progression policies for UK employees.

Executive directors' shareholdings and share interests (audited information)

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

The table below sets out the beneficial interests of the executive directors (or any connected persons) in the ordinary shares of the company and a summary of the outstanding share awards as at 31 January 2023. Calculations are based on a share price of 279.0p per share (being the closing price of a Kingfisher share on 31 January 2023).

Name	Shares held: Number of shares held outright		Awards over nil-cost options: Vested but not exercised[1]	Unvested and subject to continued employment	Unvested and subject to performance conditions and continued employment[2]	Shareholding requirement (% of base salary)[3]	Shareholding 31 Jan 23 (% of base salary)[4]
	31 Jan 23	31 Jan 22					
Executive director							
Thierry Garnier[5]	100,000	100,000	320,224	–	4,809,189	350%	90%
Bernard Bot[5]	80,000	80,000	115,791	–	2,822,064	270%	66%

1. Nil-cost options and awards that have vested but have yet to be exercised are considered to count towards the shareholding requirement, other than any such shares that correspond to the estimated income tax and national insurance contributions that would arise on their exercise (estimated at 47% of the award). For Thierry Garnier and Bernard Bot, these awards include the 2019 Alignment Share awards which vested in 2022.
2. These awards include nil-cost options to Thierry Garnier and Bernard Bot in respect of the 2020 and 2021 Alignment Share awards, the 2019 Delivering Value Incentive award and the 2022 Performance Share Plan award.
3. Shareholding requirement as of 31 January 2023.
4. Between 1 February 2023 and the date of this report, there were no changes in the beneficial interests of the executive directors' shareholdings.
5. As potential beneficiaries of the Kingfisher Employee Benefit Trust (the Trust), Thierry Garnier and Bernard Bot are deemed to have an interest in the company's ordinary shares held by the Trust. The Trust held 6,580,388 ordinary shares at 31 January 2023.

Directors' remuneration report continued

Share awards made during the financial year (audited information)

Options and awards over shares were made during the year ended 31 January 2023 under the Kingfisher Performance Share Plan rules (KPSP) in respect of the 2022 Performance Share Plan award (PSP).

2022 Performance Share Award

Name	Date of grant[1]	Number of shares	Face value of award[2] £'000	End of performance period[3]	Final exercise date[4]
Thierry Garner	24 June 2022	958,944	2,333	31 Jan 25	24 May 32
Bernard Bot	24 June 2022	640,309	1,558	31 Jan 25	24 May 32

1. Vesting date of 24 June 2025.
2. The number of shares, at the time of grant, was based on 275% and 260% of base salary for the CEO and CFO respectively and the three-day average closing share price preceding the date of grant. The awards were made under the KPSP and the value above is based on the closing share price as at the date of grant, of 243.3 p per share for 24 June 2022.
3. The shares will vest subject to performance against the performance conditions over the period to the end of the 2024/25 financial year.
4. The awards are structured as nil-cost options and have an exercise period of seven years less one month.

The performance conditions attached to the 2022 Performance Share Award are as follows:

Target	2024/25 EPS (25%)	2024/25 ROCE (25%)	TSR Percentile vs. relative TSR peer group (25%)
Threshold (25% vesting)	36.5p	12.85%	50th
Stretch (100% vesting)	47.5p	16.30%	75th

	ESG (25% weighting)		
Target	Climate Change (reduction in scope 1 and 2 emissions)	Forest Positive (% of wood and paper responsibly sourced as a % of SKUs purchased)	Gender Diversity (% of women in senior leadership)
Threshold (25% vesting)	31.0%	95.0%	30%
Target (50% vesting)	34.0%	98.0%	33%
Stretch (100% vesting)	37.8%	99.5%	35%

For the EPS, ROCE and Relative TSR measures, there will be straight-line vesting between Threshold and Stretch. For the ESG measures, there will be straight-line vesting between Threshold and Target and Target and Stretch.

TSR will be measured against the combined group of the constituents of the FTSE 350 Retailers, FTSE 350 Drug and Grocery Stores as well as the STOXX 600 Drug and Grocery Stores as at 1 February 2022.

2023 Performance Share Plan Award

The Committee intends to grant Thierry Garnier and Bernard Bot a PSP award with a maximum opportunity of 275% and 260% of base salary respectively at the next grant date (expected to be late April 2023).

The performance conditions attached to the vesting of the 2023 grant remain the same as for the 2022 award and are EPS, ROCE, Relative TSR and a basket of three ESG measures. The performance conditions and targets attached to the vesting of the 2023 award are as follows:

Target	2025/26 EPS (25%)	2025/26 ROCE (25%)	TSR Percentile vs. relative TSR peer group (25%)
Threshold (25% vesting)	29.7p	9.70%	50th
Stretch (100% vesting)	37.7p	11.95%	75th

	ESG (25% weighting)		
Target	Climate Change (reduction in scope 1 and 2 emissions)	Forest Positive (% of wood and paper responsibly sourced as a % of SKUs purchased)	Gender Diversity (% of women in senior leadership)
Threshold (25% vesting)	45.0%	98.0%	31%
Target (50% vesting)	46.0%	99.0%	34%
Stretch (100% vesting)	47.0%	99.5%	36%

For the EPS, ROCE and Relative TSR measures, there will be straight-line vesting between Threshold and Stretch. For the ESG measures, there will be straight-line vesting between Threshold and Target and Target and Stretch. These measures have been chosen for the PSP as EPS, ROCE and ESG are aligned to the strategy while relative TSR ensures that payouts for participants are aligned to long-term value creation for shareholders. ESG in particular was chosen to reflect the importance of our Responsible Business agenda and to recognise our long-term goals and commitments. The chosen ESG measures are all core elements of our agenda. These will be weighted equally within the ESG basket of measures.

The primary reference point for setting the EPS and ROCE targets is the Group's internal three-year plan. The Group's current internal plan takes into account the changes in the Group's operating environment since 2022. This has meant a reduction in the EPS and ROCE targets for the 2023 awards versus the targets set for the 2022 awards. The Committee has also reviewed the target ranges versus consensus and is confident that the ranges are highly stretching with maximum vesting only being possible for exceptional performance. EPS will be based on 'pence' in line with last year.

For ESG measures, targets have been set using our long-term public commitments and internal targets as well as 2022/23 outturns. All target ranges demonstrate a progression in the target ranges versus. the target ranges in the 2022 PSP.

- The target range for our climate change measure, which is a reduction in scope 1 and 2 carbon emissions from a 2016/17 baseline, has been set taking into account our already substantial progress against targets approved by the Science Based Targets initiative as well as our new net zero commitment. Further details can be found on page 24.
- For our Forest Positive measure, which is % of wood and paper products responsibly sourced, targets were set taking into account our long-term aim for 100% of our wood and paper products to be responsibly sourced, as well as our progress to date on this measure.
- Improving the % of women in our senior leadership population (top 300) remains an important and ongoing area of focus. The target range has been set taking into account our current outturn and the significant progress required to achieve to achieve our long-term aims.

The Relative TSR measure remains unchanged. Kingfisher's TSR will be measured against the combined group of the constituents of the FTSE 350 Retailers, FTSE 350 Drug and Grocery Stores as well as the STOXX 600 Drug and Grocery Stores as at 1 February 2023.

Scheme interests exercised during the financial year (audited information)

No awards were exercised by executive directors during the year.

Dilution limits

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

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

Any awards that are satisfied by market-purchased shares are excluded from these calculations, including all awards made under the Kingfisher Alignment Share and Transformation Incentive Plan (KASTIP) and Kingfisher Performance Share Plan (KPSP).

No treasury shares were held or utilised in the year ended 31 January 2023.

Directors' remuneration report continued

Single total figure of remuneration for the non-executive directors (audited information)

Fees payable to non-executive directors

The table below sets out the remuneration of each non-executive director during the financial year ended 31 January 2023 and the comparative figures for the year ended 31 January 2022. During the year, no payments were made to non-executive directors for expenses other than those incurred in the ordinary course of their appointments.

Name	Additional responsibilities	Committee membership[1]	Fees 2022/23 £'000	Fees 2021/22 £'000	Taxable benefits 2022/23 £'000	Taxable benefits 2021/22 £'000	Total 2022/23 £'000	Total 2021/22 £'000
Andrew Cosslett[2]	Chair, Nomination Committee Chair	R, N	509.9	495	1.3[3]	1.2[3]	511.1	496.2
Claudia Arney	Remuneration Committee Chair	R, N	86.3	86.3	–	–	86.3	86.3
Catherine Bradley	Senior Independent Director	A, R, N	106.3	86.3	–	–	106.3	86.3
Jeff Carr	Audit Committee Chair	A, R, N	96.3	86.3	–	–	96.3	86.3
Sophie Gasperment	Responsible Business Committee Chair	N, RB	86.3	86.3	–	–	86.3	86.3
Rakhi Goss-Custard		A, R, N, RB	96.3	66.3	–	–	96.3	66.3
Bill Lennie[4]		A, N	57.2	n/a	–	n/a	57.2	n/a
Total			**1,038.6**	**906.5**	**1.3**	**1.2**	**1,039.8**	**907.7**

1. Indicates which directors served on each committee during the year: Audit Committee = A; Nomination Committee = N; Remuneration Committee = R; Responsible Business Committee = RB.
2. For his role as Chair, Andrew Cosslett receives a fee of £463,500 per annum. The fees paid to Andrew Cosslett include a contribution of £46,350 towards the costs of an assistant.
3. These relate to private medical cover for Andrew Cosslett and his family.
4. Bill Lennie was appointed to the Board on 1 May 2022.

Notes to the single total figure of remuneration for the non-executive directors (audited information)

Fees

Fees paid to the Chair and non-executive directors for 2022/23 and 2021/22 are shown below. No benefits are provided except for a store discount card of up to 20%.

	Fees £'000		
	As at 1 February 2022	As at 1 February 2021	% increase
Chair[1]	509.9	495.0	3%
Non-executive director fee	66.3	66.3	0%
Senior Independent Director	20.0	20.0	0%
Audit Committee Chair	20.0	20.0	0%
Remuneration Committee Chair	20.0	20.0	0%
Responsible Business Committee Chair	20.0	20.0	0%
Audit Committee member[2]	10.0	n/a	n/a
Remuneration Committee member[2]	10.0	n/a	n/a
Responsible Business Committee member[2]	10.0	n/a	n/a

1. The Committee reviewed the fee for the company Chair in 2022 and agreed to increase the fee by 3%.
2. The Board reviewed the non-executive fees in 2022 and agreed effective 1 February 2022, a fee will be introduced for the membership of each of the Audit Committee, Remuneration Committee, and Responsible Business Committee of £10,000 per annum. Committee Chairs do not receive Committee member fees in addition to their Chair fees.

Non-executive directors' shareholdings (audited information)

The table below sets out the current shareholdings of the non-executive directors (including beneficial interests and interests of persons closely associated) as at 31 January 2023. The company does not operate a share ownership policy for the non-executive directors but encourages non-executive directors to acquire shares on their own account.

	Number of shares held outright as at 31 January 2023*	Number of shares held outright as at 31 January 2022
Andrew Cosslett	388,556	388,556
Catherine Bradley	20,000	10,000
Claudia Arney	27,460	27,460
Jeff Carr	210,000	10,000
Sophie Gasperment	10,110	10,110
Rakhi Goss-Custard	6,124	6,124
Bill Lennie	100,000	n/a

* There have been no changes to the beneficial interests of the non-executive directors between 1 February 2023 and 20 March 2023.

Statement on the implementation of the Remuneration Policy for 2023/24

Implementation of the Policy for executive directors for the year ahead

Base salary	A 5% salary increase will be awarded to the executive directors effective from 1 April 2023. The new salaries are £882,525 for the CEO and £623,280 for the CFO. This is in line with the Policy and the increase offered to the wider UK head office workforce.
Benefits	Will be implemented in line with the Policy.
Pension	12.5% of salary cash allowance in lieu of pension contributions, which is in line with the offering to the wider UK workforce. This is in line with the Policy.
Annual Bonus	Will be awarded in line with the Policy The 2023/24 Annual Bonus will have a maximum opportunity of 200% of salary for the CEO and 190% of salary for the CFO and will be judged based on the achievement of financial and strategic output measures, as set out below: – 40% Like-for-like sales growth; – 40% Adjusted pre-tax profit; and – 20% Strategic measures which for 2023/24 are OEB sales penetration and digital sales penetration both with a 10% weighting. A holistic assessment of Group performance will also be taken into consideration. Any bonus earned over 100% of salary will be deferred into shares for three years. In the opinion of the Committee, the details of the Annual Bonus measures and targets for 2023/24 are commercially sensitive as they closely align with annual business priorities and accordingly are not disclosed. These will be disclosed in the 2023/24 Annual Report and Accounts.
Performance Share Plan	Will be awarded in line with the Policy. The 2023 Performance Share Plan awards will be granted at the next available grant date. The CEO will be granted an award of the value 275% of salary at date of grant with the CFO receiving a grant of 260% of salary. The performance conditions attached to the vesting of award are as follows: – 25% EPS; – 25% ROCE; – 25% Relative TSR; and – 25% ESG measures (Climate Change, Forest Positive, Gender Diversity). Details of the target ranges for the 2023 PSP are detailed on page 96. Performance will be measured over three years, with awards vesting three years after the grant date. Any vested awards will be subject to an additional two-year holding period.

Directors' remuneration report continued

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

Fees £'000	As at 1 February 2023	As at 1 February 2022	% increase
Chair*	530.3	509.9	4%
Non-executive director fee	69.0	66.3	4%
Senior Independent Director fee	20.0	20.0	0%
Audit Committee Chair	20.0	20.0	0%
Remuneration Committee Chair	20.0	20.0	0%
Responsible Business Committee Chair	20.0	20.0	0%
Audit Committee member	10.0	10.0	0%
Remuneration Committee member	10.0	10.0	0%
Responsible Business Committee member	10.0	10.0	0%

* Part of the Chair's fee relates to a contribution to the cost of his assistant per annum. He additionally receives private medical insurance for himself and his family.

The Board reviewed the non-executive director fee in 2022/23 and agreed to award a 4% increase, increasing the fee to £68,960. This is to reflect the continuing significant time commitment required from the non-executive directors. This increase is lower than the increase being implemented for the wider UK workforce. There are no changes to the Senior Independent Director and Committees' chair or member fees.

Separately, in respect of the company Chair's fee, the Committee has agreed to award a 4% increase to the total current combined fee of £509,850 (comprising of a core £463,500 fee plus £46,350 towards the cost of an assistant). This increases the combined fee to £530,250 (core fee of £482,040 plus £48,210 towards an assistant). This increase is lower than the increase being implemented for the wider UK workforce.

Service contracts/letters of appointment

	Date of service contract/letter of appointment	Expiry of current term	Length of service at 31 January 2023
Andrew Cosslett	1 April 17	31 March 26	5 years
Claudia Arney	1 November 18	31 October 24	4 years
Bernard Bot	21 October 19	12 months rolling	3 years
Catherine Bradley	2 November 20	1 November 23	2 years
Jeff Carr	1 June 18	31 May 24	4 years
Thierry Garnier	25 September 19	12 months rolling	3 years
Sophie Gasperment	1 December 18	30 November 24	4 years
Rakhi Goss-Custard	1 February 16	31 January 25	7 years
Bill Lennie	1 May 22	30 April 25	0 years/9 months

Copies of the executive directors' service contracts and the non-executive directors' letters of appointment are held at the company's registered office address and are available to shareholders for inspection on request. Requests should be sent by email to shareholderenquiries@kingfisher.com

Claudia Arney
Chair of the Remuneration Committee

20 March 2023

Directors' report

This report sets out the information the company and the Group are required to disclose in the Directors' report in compliance with the Companies Act 2006 (the Act), the Financial Conduct Authority's Listing Rules (Listing Rules), the Disclosure Guidance and Transparency Rules (DTRs), and the UK Corporate Governance Code 2018 (the Code). This report should be read in conjunction with the Strategic Report on pages 1 to 61 and the Corporate governance report on pages 62 to 100. In accordance with Section 414C(11) of the Act, the company has decided to include certain matters in its Strategic Report that would otherwise be required to be disclosed in this Directors' report. Together, the Strategic Report, this Directors' report, and other sections of the Corporate governance report incorporated by reference, when taken as a whole, form the Management Report as required under Rule 4.1.5R of the DTRs.

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

Disclosure	Page
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Corporate Governance report, including reports from Board committees	62 – 100
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Employee share schemes	note 31
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Financial instruments and financial risk management	note 25
Financial review (LR9.8.4 R)	39 – 50
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Important events since the end of the financial year	note 37
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Waiver of dividends	102

Articles of Association (Articles)

The Articles of the company may only be amended by special resolution at a meeting of the shareholders. The Articles are available on the company's website.

Branches

The Kingfisher Group, through various subsidiaries, has established branches in a number of countries in which the business operates.

Directors

The Board and their biographical details are set out on pages 64 to 65. Details of the directors' interests in the shares of the company can be found in the Directors' remuneration report on page 95. Directors are appointed and replaced in accordance with the Articles, the Act, and the Code. Under the Articles, all directors will retire from office at the next AGM where they will submit themselves for election or re-election by shareholders. During the year, the following change was made to the Board:

Bill Lennie	Non-executive director (Appointed 1 May 2022)

Directors' indemnity arrangements

The directors who served on the Board during the year have been granted a qualifying third-party indemnity, under the Act, which remains in force. The Group also maintains Directors' and Officers' liability insurance in respect of its directors and officers, and the directors of the Group's subsidiary companies. Neither the company's indemnity nor insurance provide cover in the event that an indemnified individual is proved to have acted fraudulently or dishonestly.

Directors' powers

Subject to provisions of the Act, the Articles, and to any directions given by special resolution, the business of the company shall be managed by the Board, which may exercise all the powers of the company.

Borrowing powers

The directors may exercise all the powers of the company to borrow money.

Issue of ordinary shares

The directors were authorised by shareholders at the 2022 AGM to allot shares, as permitted by the company's Articles. During the year, 4,845,421 shares were issued under the terms of the Sharesave Plan at prices between 159.0 pence and 306.0 pence per share.

This resolution was in line with guidance issued by the Investment Association and remains in force until the conclusion of the 2023 AGM, or if earlier, until close of business on 31 July 2023. The company will seek to renew this standard authority at the 2023 AGM.

Directors' report continued

Purchase of own shares

Shareholders further approved a resolution at the 2022 AGM for the company to make purchases of its own shares up to a maximum of 10% of its issued share capital.

In line with Kingfisher's Capital Allocation policy, the Board was pleased to announce the additional return of £300 million of surplus capital to shareholders via a share buyback programme on 23 May 2022 (following the initial £300 million buyback programme that was announced on 21 September 2021 and completed on 28 April 2022). This decision was reflective of the ongoing balance sheet strength and the Board's confidence in the outlook for the 2022/23 financial year. This form of return of capital was selected to increase shareholder returns and net asset value per share, while supporting an efficient balance sheet.

During the year the company purchased 131,153,879 ordinary shares of $15^{5/7}$ pence per share at an average price of £2.56 per share, for a total consideration of £336 million (excluding stamp duty). This represents 6.8% of the company's issued share capital for the year ended 31 January 2023.

Between 31 January and 17 March 2023, being the latest practicable date for inclusion in this report, 1,239,440 ordinary shares of $15^{5/7}$ pence per share have been purchased, bringing the total shares purchased at 17 March 2023 to 132,393,319, at an average price of £2.56 per share, and for a total consideration of £339 million (excluding stamp duty). The total shares purchased to 17 March 2023 represents 6.8% of the company's issued share capital. It is expected that the additional share buyback programme will be completed by the end of the 2023/24 financial year.

All shares purchased under this authority have been cancelled. This resolution is in line with guidance issued by the Investment Association and remains in force until the conclusion of the 2023 AGM, or if earlier, until close of business on 31 July 2023. The company will seek to renew this standard authority at the 2023 AGM.

Conflicts of interest

The company has robust procedures in place to identify, authorise and manage potential or actual conflicts of interest, and these procedures have operated effectively during the year. Where potential conflicts arise, they are reviewed, and if appropriate, approved by the Board. Processes for managing such conflicts are put in place to ensure no conflicted director is involved in any decision related to their conflict.

Directors' other key appointments are set out in the directors' biographies on pages 66 to 67.

Dividends

The interim dividend of 3.80 pence per ordinary share was paid on 11 November 2022. The Board is recommending a final dividend of 8.60 pence per ordinary share, making a total ordinary dividend for the year of 12.40 pence per ordinary share. Subject to the approval of shareholders at the 2023 AGM, the final dividend will be paid on 3 July 2023 to shareholders on the register at 26 May 2023.

The Kingfisher Employee Benefit Trust, Wealth Nominees Limited (the Trust), waived the following dividends payable by the company in respect of the ordinary shares it held. The Trustee has agreed to waive its rights to all dividends payable on the ordinary shares held in the Trust:

Dividend	Number of shares waived (% of holding)	Total value of dividends waived
Final 2021/22 (paid June 2022)	11,432,001 100%	£983,152.09
Interim 2022/23 (paid November 2022)	8,352,570 100%	£317,397.66
Total for year to 31 January 2023		**£1,300,549.75**

Major shareholdings

As at 31 January 2023 and the date of this report, the company had been notified under Rule 5 of the DTRs of the following interests in voting rights in its shares. The information below was calculated at the date on which the relevant disclosures were made in accordance with the DTRs, however, the percentage of total voting rights held by each may have changed since the company was notified.

	% of total voting rights
Silchester International Investors LLP	11.009
BlackRock, Inc.*	9.850
Mondrian Investment Partners Limited	5.00
Templeton Global Advisors Limited	4.97
Norges Bank	4.405

* Part of the shares held by BlackRock, Inc. are in the form of American Depositary Receipts (ADRs).

Political donations

The company made no political donations during the year (2021/22: £nil) and does not intend to make any political donations in the future.

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

Research and development

The company undertakes research and development activities in order to develop its digital capability. In addition, the company undertakes product development activities using learnings gained by understanding our customer's challenges living and working at home and engaging with home improvement projects.

More information is available on pages 6 to 11 of the Strategic Report.

Share capital

The share capital of the company comprises ordinary shares of $15^{5/7}$ pence per share. All of the company's issued shares are fully paid up and each share carries the right to one vote at general meetings of the company. The authorised and issued share capital of the company, together with movements in the company's issued share capital during the year, are shown in note 29 to the consolidated financial statements. The Articles contain provisions governing the ownership and transfer of shares.

The holders of ordinary shares are entitled to receive the company's Annual Report and Accounts, to attend and ask questions at general meetings, to appoint proxies and to exercise voting rights. There are no restrictions on the transfer of ordinary shares or on the exercise of voting rights attached to them, except (i) where the company has exercised its right to suspend voting rights or to prohibit their transfer following the omission of their holder or any person interested in them to provide the company with information requested by it in accordance with Part 22 of the Act, or (ii) where their holder is precluded from transferring or otherwise dealing with the shares or exercising voting rights by the Listing Rules, the City Code on Takeovers and Mergers, or applicable Government sanctions. No person has any special rights of control over the company's share capital and all issued shares are fully paid.

The company has a Sponsored Level 1 American Depositary Receipt programme in the United States.

Significant agreements – change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the company following a takeover bid. These are deemed to be significant in terms of their potential impact on the business of Kingfisher as a whole. These are:

- the £550 million revolving credit facility dated 28 May 2021 between the company, National Westminster Bank plc (as the facility agent) and the banks named therein as lenders, which provides that, subject to certain exceptions, in the event of a change of control of the company, a lender will not be obliged to fund a utilisation request and may notify the agent that they wish to cancel their commitment resulting in the commitment of that lender being cancelled and all outstanding loans, together with accrued interest, becoming immediately due and payable to that lender.
- the £50 million loan facility dated 23 December 2022 between the company and National Westminster Bank plc, which contains a provision such that in the event of a change of control, the bank will not be obliged to fund a utilisation request and may cancel its commitment whereupon all outstanding loans together with accrued interest will become immediately due and payable; and
- the £50 million loan facility dated 16 January 2023 between the company and Caixabank, S.A., United Kingdom Branch, which contains a provision such that in the event of a change of control, the bank will not be obliged to fund a utilisation request and may cancel its commitment whereupon all outstanding loans together with accrued interest will become immediately due and payable.

There are no agreements in place with any director or officer that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the company's share incentive schemes may cause options and awards granted under such schemes to vest on a takeover.

Disclosure of information to auditor

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

- So far as he or she is aware, there is no relevant audit information of which the company's auditor is unaware; and
- Each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Act.

Directors' report approval

The Directors' report was approved by a duly authorised committee of the Board of Directors on 20 March 2023 and signed on its behalf by

Chloe Barry
Company Secretary

20 March 2023

Statement of directors' responsibility

Responsibility for preparing the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (the 'Act'). The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. The directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 'Reduced Disclosure Framework'. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

– Select suitable accounting policies and then apply them consistently.
– Make judgements and accounting estimates that are reasonable and prudent.
– State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
– Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the Group financial statements in accordance with IAS 1, 'Presentation of financial statements', the directors are required to:

– Select suitable accounting policies and then apply them consistently.
– Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
– Provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.
– Make an assessment of the company's ability to continue as a going concern.

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

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

Responsibility statement

The directors confirm that to the best of their knowledge:

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

Statement of directors' responsibility approval

The statement of directors' responsibility was approved by a duly authorised committee of the Board of Directors on 20 March 2023 and signed on its behalf by

Chloe Barry
Company Secretary

20 March 2023

Independent auditors' report

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Kingfisher plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company balance sheets;
- the consolidated cash flow statement; and
- the related notes 1 to 37 to the group financial statements and notes 1 to 15 to the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2.Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the year are disclosed in note 8 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

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

Independent auditors' report continued

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – Impairment of store-based assets: B&Q UK and France (charges and reversals); – Taxation matters: transfer pricing and EU state aid; and – Inventory valuation. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £35 million which was determined on the basis of c. 5% of adjusted profit before tax.
Scoping	We focused our group audit scope on all significant trading entities and the group's head office and support functions. These accounted for 94% of the group's revenue, 92% of the group's profit before tax and 89% of the group's net assets
Significant changes in our approach	In the prior year, we identified a key audit matter relating to the classification and presentation of adjusting items. For the current year we have assessed there to be a lower level of judgement for items included as adjusting and we note, excluding the group's net store-based impairment charge (£139 million) and Romania goodwill impairment (£16 million), the remaining level of aggregated adjusting items are immaterial. No other significant changes in approach were noted in the current year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- understanding the relevant controls relating to the assessment of the appropriateness of the going concern assumptions;
- assessing the entity's financing facilities including nature of facilities, repayment terms, covenants and available undrawn committed facilities;
- considering the linkage of management's forecasts to the group's business model and identified principal risks;
- assessing the key assumptions used in the group's forecasts;
- assessing the impact of reasonably possible downside scenarios on the group's funding position including forecast financial covenants and their compliance over the going concern period;
- assessing under what circumstances the group would require additional funding and determining whether such a scenario was likely to occur;
- recalculating the amount of headroom in the forecasts (liquidity and covenants);
- evaluating the integrity of the model used to prepare the forecasts, which includes testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management; and
- assessing whether the disclosures in relation to going concern are appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

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

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

5.1. Impairment of store-based assets: B&Q UK and France (charges and reversals)

Key audit matter description	As at 31 January 2023, property, plant and equipment totalled £3,205 million (31 January 2022: £3,078 million) and right-of-use assets totalled £1,947 million (31 January 2022: £1,885 million), as disclosed in notes 15 and 17 to the financial statements. In the current year, the group recorded a net store-based asset impairment charge of £139 million (2021/22: net impairment reversal of £33 million) across the stores or Cash Generating Units ('CGUs'). Of this total net charge, £149 million (2021/22: £29 million) represented an impairment charge and £10 million (2021/22: £62 million) impairment reversals. Of this total, £124 million of the net store-based asset impairment charge (2021/22: £21 million net impairment reversal) related to B&Q UK and the group's banners in France. Given the significance of the net impairment charge and in line with the classification of impairment reversals in 2021/22, the group has classified the net impairment charge as an adjusting item. Given the quantum of impairment in the current year, the level of risk associated with this key audit matter has increased in the current year. At each reporting date, in accordance with the requirements of IAS 36 'Impairment of Assets', an assessment is performed as to whether there are any indicators that property, plant and equipment and right-of-use assets, including the group's stores, may be impaired or whether there is any indication that an impairment loss recognised in a previous period either no longer exists or a portion of the previously recognised loss should be reversed. Should such indicators exist, the assets' recoverable amounts are subsequently estimated. For the current year the group concluded that the impact of rising interest rates on discount rates was a pervasive indicator of impairment for the group's store-based assets and an all-store impairment assessment was conducted (2021/22 – assessment conducted on an indicator basis only). Impairment of store-based assets is primarily evaluated with reference to the value in use of stores, which is calculated as the net present value of future cash flows, driven by the group's board-approved three-year plan. The group also uses vacant possession valuations to approximate fair value less costs to sell when considering the recoverable amount of freehold and certain long leasehold stores. There are several judgements in assessing value in use that are set out below and there is a risk that the net impairment charge recorded is not supportable based on the inputs used in the model. Cash flow forecasting, impairment modelling and assessing property values are all inherently judgemental. We have determined that there is potential fraud risk associated with the cash flow forecast assumptions used in the impairment model. The key assumptions applied by management, which form part of our significant risk, in the group's store-based asset impairment assessments are: – forecast short term cash flows, which include the stores sales assumptions and margin/contribution, store costs, including staff payroll, general operating costs and the identification and allocation of a proportion of central overhead costs to stores; and – country-specific discount rates. Other assumptions assessed as part of our audit procedures relating to the group store-based asset impairment include: – long-term growth rates; and – determining the vacant possession value of freehold properties throughout the group.

Independent auditors' report continued

How the scope of our audit responded to the key audit matter	Our audit focused on whether store-based asset impairment charges in B&Q UK and the group's banners in France have been appropriately calculated in accordance with the requirements of IAS 36, 'Impairment of Assets'. In doing so we carried out the following procedures with respect to the CGUs across the B&Q and French banners: – obtained an understanding of the relevant controls in respect of the impairment reviews across the group and key review controls associated with the group's budgeting process, the impairment models and the determination of discount rates to be used in the models; – assessed the mechanical accuracy of the impairment models; – in addressing the fraud risk associated with these cash flow forecasts we challenged the key inputs into the value in use computation, namely forecast sales growth and margin by evaluating both past performance, our understanding of the group's strategic initiatives, benchmarking against external information and the rationale for future assumptions. We also assessed the level of past store performance to assess whether assumptions applied were appropriate at the store level; – assessed management's reconciliation of CGU-level cash flows to the board-approved three-year plan in order to test the allocation of those cash flows; – evaluated the discount rate and long-term growth rates applied by management against external economic data with the involvement of our valuation specialists; – considered the structure of the business and recent changes in group strategy to evaluate the identification and allocation of central overheads into store impairment models; – agreed the vacant possession value of freehold property to third party valuation reports and assessed the inputs and valuation methodology applied by involving our real estate specialists; and – assessed the appropriateness of the financial statements disclosures made.
Key observations	We are satisfied that the net impairment charge recorded in the year and the carrying value of store-based assets at the year-end within B&Q UK and the French banners are appropriate and that disclosures have been made in accordance with IFRS requirements.

5.2. Taxation matters: transfer pricing and EU state aid

Key audit matter description	The group files tax returns in many jurisdictions and is periodically subject to tax audits in the ordinary course of its business, including matters relating to cross-border intra-group services, brand royalties and interest. Applicable tax laws and regulations are subject to differing interpretations and the resolution of a final tax position can take several years. Where it is considered that future tax liabilities are more likely than not to arise, an appropriate provision is recognised in the financial statements and is held as a tax liability on the balance sheet. In addition, the group received a charging notice from HMRC in 2020/21 in relation to EU state aid for £57 million (and subsequently for £7 million interest) as set out in note 35. The group settled the amount but appealed the notice on the grounds that there was no state aid and subsequently recognised a corresponding debtor of £64 million as they expect the appeal in an associated case to be successful. The outcome of the case is currently unknown and therefore there is judgement as to the recoverability of the debtor. Refer to note 35 in the group financial statements which disclose the developments in the year relating to this judgement. Our key audit matter focused on the completeness and valuation of the transfer pricing provisions associated with ongoing cases and the uncertain tax position relating to EU state aid. There is judgement in determining whether a provision should be recorded, and if it is recorded, what the value of the provision should be with reference to the facts and circumstances of the individual case. There is also judgement associated with the recoverability of the EU state aid debtor and whether any impairment is required.

How the scope of our audit responded to the key audit matter	Our audit focused on uncertain tax positions relating to transfer pricing provisions and the EU state aid debtor. In respect of these areas, we performed the following procedures: – we obtained an understanding of the relevant controls, which included management's review and challenge of the judgements taken in regards to taxation matters; – in conjunction with our tax specialists including transfer pricing specialists and EU state aid specialists, we evaluated the tax positions taken by management in the context of local tax law and assessed the valuation and completeness of transfer pricing provisions and the debtor held in relation to EU state aid; – involved our transfer pricing specialists to assist in understanding the approach taken to transfer pricing, the transactions that flow between group entities including any changes in approach during the year; and – in conjunction with our tax specialists, assessed the disclosures in the financial statements in relation to taxation matters.
Key observations	We consider the provisions recorded for transfer pricing and the valuation of the debtor in respect of EU state aid to be appropriate in the context of the group's overall potential tax exposures. We consider the overall level of disclosure in relation to transfer pricing provisions and the disclosure for EU state aid in note 35 to be appropriate.

5.3. Inventory valuation

Key audit matter description	As at 31 January 2023, net inventory, after recognising relevant provisions, is £3,070 million (2021/22: £2,749 million) as disclosed in note 19 to the financial statements. Assessing the valuation of inventory, in accordance with IAS 2 'Inventories', requires significant judgement in estimating the eventual selling price of items held, as well as assessing which items may be slow-moving or obsolete and as a result may need providing for. We have determined the key audit matter to be specifically in relation to the judgements and methodology applied in determining the level of inventory provisioning required. Given the judgement required in determining this provisioning which relies on forward-looking information, and that the effects of changes in inventory provisioning could have a significant impact on gross profit and margin, we consider that there is potential fraud risk associated with this key audit matter.
How the scope of our audit responded to the key audit matter	Our audit focused on whether the valuation of year-end inventory was in accordance with IAS 2 'Inventories'. This included challenging the judgements taken regarding the obsolescence and net realisable value of inventory and the appropriateness of provisions for such items. We carried out the following procedures in assessing the appropriateness of the valuation of inventories: – obtained an understanding of the relevant controls, which included a review of the inventory provision recorded at a banner level by members of the finance team and assessed inventory controls in the group's most significant locations; – assessed the group's inventory provisioning policy, with specific consideration of its ongoing appropriateness in light of changes in the business and the macroeconomic environment, the risk profile of inventory and consideration of any expected clearance activity; – assessed the existence and condition of inventory by attending a sample of inventory counts throughout the year across all in-scope components; – checked the value of a sample of inventory to assess whether it is held at the lower of cost and net realisable value, through comparison to vendor invoices and current sales prices; and – in addressing the fraud risk, we re-calculated the provisions recorded to evaluate whether they are in line with group policy and IAS 2. This was done in conjunction with our IT specialists for some components where a manual re-computation was not possible.
Key observations	The results of our audit work were satisfactory and we conclude that the level of inventory provisions is appropriate.

Independent auditors' report continued

6. Our application of materiality

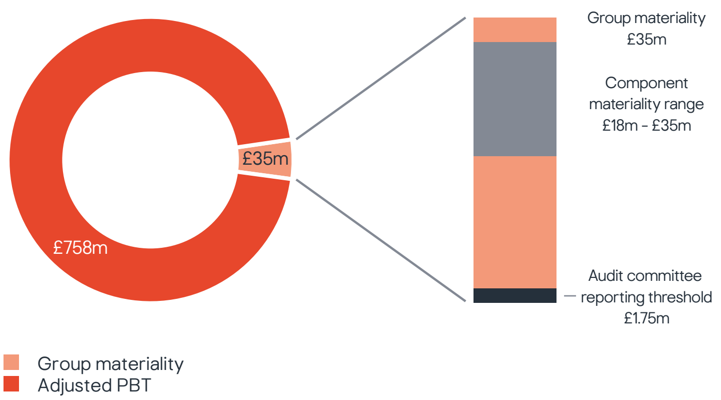
6.1. Materiality

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

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

	Group financial statements	Parent company financial statements
Materiality	£35 million (2021/22: £47 million)	£32 million (2021/22: £42 million)
Basis for determining materiality	c. 5% of adjusted profit before tax (2021/22: c. 5%). Adjusted items are defined in note 2a with analysis included in note 6.	0.6% of net assets (2021/22: 0.7%), which is capped at 90% (2021/22: 90%) of group materiality.
Rationale for the benchmark applied	We have determined materiality on a basis that is consistent with FY21/22. Adjusted profit before tax was selected as the basis of materiality because this is the primary measure by which stakeholders and the market assesses performance of the group. In coming to this judgement, we also considered further benchmarks including revenue and net assets as alternative benchmarks. We excluded adjusted items when determining the basis for materiality because the items, primarily relating to net impairment charges of assets, do not form part of the underlying trading performance of the group.	The company is non-trading and contains the investments in all the trading components of the group.

Materiality



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2021/22: 70%) of group materiality	70% (2021/22: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality for both group and the parent company, we considered the following factors: – our risk assessment, including our assessment of the group's overall control environment; and – the nature, volume and size of misstatements (corrected and uncorrected) in the previous audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.75 million (2021/22: £2.0 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

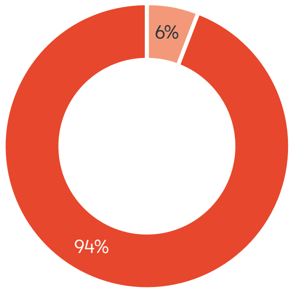
Our approach to scoping the group audit was to understand the group and its environment, including group-wide controls, and assess the risks of material misstatement at the group level. The group operates over 1,500 stores (2021/22: over 1,400 stores) in eight countries (2021/22: eight countries) across Europe.

We focused our group audit scope primarily on all significant trading entities as well as head office entities. In the prior year full scope audit procedures were performed over the following components: B&Q UK, Screwfix UK, Castorama France, Brico Dépôt France, Castorama Poland, and the parent company.

We have reviewed our audit scope in the current year with due consideration of the risk profile, control environment, the changes in the group structure and how much coverage we will obtain. As such we concluded that full scope audit procedures would continue to be performed for B&Q UK, Screwfix UK, Castorama France, Brico Dépôt France, Castorama Poland and the parent company. Kingfisher Information Technology Services UK and B&Q Properties were subject to specified audit procedures on prescribed balances associated with defined audit risks. All other entities were subject to analytical procedures at the group level. All financial reporting is managed by local finance functions with group oversight from the head office in London.

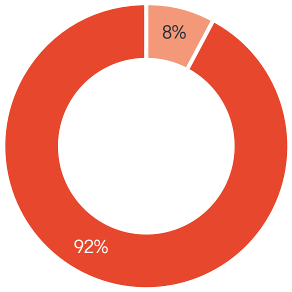
In scope entities include both full scope entities and entities subject to specified procedures. These entities account for 94% (2021/22: 94%) of the group's revenue, 92% (2021/22: 85%) of the group's profit before tax and 89% (2021/22: 98%) of the group's net assets.

Revenue



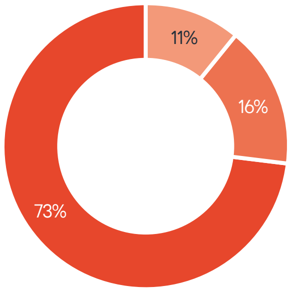
Full audit scope
Review at group level

Profit before tax



Full audit scope
Review at group level

Net assets



Full audit scope
Specified audit procedures
Review at group level

Independent auditors' report continued

7.2. Our consideration of the control environment

7.2.1. IT environment

We identified the main finance systems (SAP, CODA, HFM) and certain other systems including in-store transaction processing systems as the key IT systems relevant to our audit. SAP and CODA are enterprise resource planning systems used for day-to-day financial management at the local level. HFM is a financial reporting system used internally to facilitate the reporting of financial information between the local and group finance teams. IT systems are primarily managed from the centralised Kingfisher IT Services function and therefore we involved a central IT audit team to evaluate the IT systems to support our audit.

We planned to rely on IT controls associated with SAP and CODA across certain full scope entities. We identified general IT controls relevant to the audit as well as specific IT controls that supported our controls reliance approach for certain business processes. Across the in-scope entities, IT controls were relied on in the trading businesses to support audit work on the revenue, expenditure and inventory processes as detailed in Section 7.2.2.

In order to evaluate the operating effectiveness of IT controls, we performed walkthrough procedures to understand whether the purpose of the control was effectively designed to address the IT related risk and then performed testing of the control across the audit period, to determine whether the control had been consistently applied.

Our procedures enabled us to place reliance on IT controls, as planned, in the audit approach.

7.2.2. Controls reliance

We sought to adopt a controls reliance approach over the revenue, expenditure and inventory processes across certain components of the group.

Our ability to adopt a controls reliance approach relied on the evaluation of testing of the relevant controls in the above business processes throughout the year.

For components that were not subject to full scope audit procedures, we were not able or chose not to adopt a controls reliance approach in the business processes above, having given due consideration to the risk and controls profile of that component. This did not affect our ability to conclude in these areas at either the component or group level.

7.3. Our consideration of climate-related risks

As part of our audit we made enquiries of management to understand the process they have adopted to assess the potential impact of climate change on the financial statements. In 2022/23 the group has elevated climate change as a principal risk of the business (2021/22 – emerging risk). The group currently considers climate to have limited impact over its three year planning horizon (as stated on page 52 and Note 3) but has assessed that, without effective mitigation and adaptation, climate change solutions could have longer-term negative consequences for the group's strategy and trading operations.

Our procedures have also included the following:

- assessing management's risk assessment associated with climate change;
- assessing whether the risks identified by the group are complete and consistent with our understanding of the group;
- considering the impact of climate on the group's three year planning horizon and whether the cash flow forecasts used for the group's store-based asset impairment assessment, goodwill impairment assessment and going concern assessment appropriately include the impact of climate change on the business in the short-term;
- involving an Environmental, Social and Governance ("ESG") specialist to assist in evaluating whether appropriate disclosures have been made in the financial statements with reference to the Task Force on Climate-Related Financial Disclosures ("TCFD") requirements and climate related disclosures in the notes to the financial statements; and,
- reading the disclosures in the strategic report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

7.4. Working with other auditors

We worked closely with the Deloitte component auditors to involve them in our planning procedures and also to maintain oversight throughout the audit process. We communicated our requirements of the component auditors regularly throughout the year and issued referral instructions formalising our requirements of the component teams. We held an internal group wide team meeting to discuss the planned audit approach and the risks within each component.

A senior member of the group audit team maintained regular contact with the component audit teams and discussed significant audit matters arising from the performance of local audit procedures. Periodic meetings with group and component management were held throughout the year to build on the understanding of the significant audit matters within components to inform our group audit approach.

The most significant components of the group are its retail businesses in the UK, France and Poland. As such, there was a high level of communication between these teams to ensure an appropriate level of group audit team involvement in the component audit work.

For each of these most significant components, a senior member of the group audit team reviewed the component working papers, including key planning and reporting documents, the procedures performed to address group significant risks and the procedures performed to respond to other areas of focus and local significant risks, in order to satisfy ourselves that we had obtained sufficient appropriate audit evidence in response to the identified risks.

The Group Engagement Partner and other senior members of the group audit team attended the audit close meeting of every component subject to a full scope audit. In performing the procedures detailed above the group audit team reviewed, considered and challenged the key matters relevant to our conclusion in relation to the group audit and assessed the impact on our group audit.

8. Other information

The other information comprises the information included in the annual report being the strategic reports on pages 1 to 61 and the governance reports on pages 62 to 106, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

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

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

10. Auditor's responsibilities for the audit of the financial statements

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

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

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, financial instruments, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: impairment of store-based assets: B&Q UK and France (charges and reversals) and inventory valuation. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation, and UK and overseas tax legislation.

Independent auditors' report continued

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included General Data Protection Regulation, government grants and Energy and Carbon regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified impairment of store-based assets: B&Q UK and France (charges and reversals) and inventory valuation as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and other tax authorities; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 61;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 59-60;
- the directors' statement on fair, balanced and understandable set out on page 104;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 51-58;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 76; and
- the section describing the work of the audit committee set out on page 73-76.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed as auditor of the group by the Board of Directors on 5 October 2009 to audit the financial statements for the year ending 31 January 2010 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 14 years, covering the period 31 January 2010 to 31 January 2023.

15.2. Consistency of the audit report with the additional report to the audit committee

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

16. Use of our report

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

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements will form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Nicola Mitchell FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP

Statutory Auditor
London, United Kingdom
20 March 2023

Consolidated income statement

Year ended 31 January 2023

£ millions	Notes	**2022/23** Before adjusting items	**2022/23** Adjusting items (note 6)	**2022/23** Total	2021/22 Before adjusting items	2021/22 Adjusting items (note 6)	2021/22 Total
Sales	4	**13,059**	**–**	**13,059**	13,183	–	13,183
Cost of sales		**(8,264)**	**–**	**(8,264)**	(8,248)	–	(8,248)
Gross profit		**4,795**	**–**	**4,795**	4,935	–	4,935
Selling and distribution expenses		**(3,087)**	**(136)**	**(3,223)**	(3,041)	42	(2,999)
Administrative expenses		**(868)**	**(12)**	**(880)**	(836)	13	(823)
Other income		**25**	**1**	**26**	23	3	26
Share of post-tax results of joint ventures and associates	18	**5**	**–**	**5**	5	–	5
Operating profit	5	**870**	**(147)**	**723**	1,086	58	1,144
Finance costs		**(129)**	**–**	**(129)**	(148)	–	(148)
Finance income		**17**	**–**	**17**	11	–	11
Net finance costs	7	**(112)**	**–**	**(112)**	(137)	–	(137)
Profit before taxation	8	**758**	**(147)**	**611**	949	58	1,007
Income tax expense	10	**(169)**	**29**	**(140)**	(212)	48	(164)
Profit for the year		**589**	**(118)**	**471**	737	106	843

	Notes	2022/23	2021/22
Earnings per share	11		
Basic		**23.8p**	40.3p
Diluted		**23.5p**	39.8p
Adjusted basic		**29.7p**	35.2p
Adjusted diluted		**29.4p**	34.8p

The proposed dividend for the year ended 31 January 2023, subject to approval by shareholders at the Annual General Meeting, is 12.40p per share, comprising an interim dividend of 3.80p in respect of the six months ended 31 July 2022 and a final dividend of 8.60p.

Consolidated statement of comprehensive income

Year ended 31 January 2023

£ millions	Notes	2022/23	2021/22
Profit for the year		**471**	843
Remeasurements of post-employment benefits	28	**(278)**	21
Inventory cash flow hedges – fair value gains		**58**	59
Tax on items that will not be reclassified		**85**	(18)
Total items that will not be reclassified subsequently to profit or loss		**(135)**	62
Currency translation differences			
Group		**129**	(218)
Joint ventures and associates		**11**	(7)
Inventory cash flow hedges – gains transferred to income statement		**(5)**	–
Other cash flow hedges			
Fair value gains		**–**	1
Gains transferred to income statement		**–**	(1)
Total items that may be reclassified subsequently to profit or loss		**135**	(225)
Other comprehensive loss for the year		**–**	(163)
Total comprehensive income for the year		**471**	680

Consolidated statement of changes in equity

Year ended 31 January 2023

£ millions	Notes	Share capital (note 29)	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves (note 30)	Total equity
								2022/23
At 1 February 2022		**325**	**2,228**	**(46)**	**4,025**	**50**	**196**	**6,778**
Profit for the year		**–**	**–**	**–**	**471**	**–**	**–**	**471**
Other comprehensive (loss)/income for the year		**–**	**–**	**–**	**(181)**	**–**	**181**	**–**
Total comprehensive income for the year		**–**	**–**	**–**	**290**	**–**	**181**	**471**
Inventory cash flow hedges – gains transferred to inventories		**–**	**–**	**–**	**–**	**–**	**(117)**	**(117)**
Share-based compensation	31	**–**	**–**	**–**	**19**	**–**	**–**	**19**
New shares issued under share schemes		**1**	**–**	**–**	**7**	**–**	**–**	**8**
Own shares issued under share schemes		**–**	**–**	**24**	**(24)**	**–**	**–**	**–**
Purchase of own shares for cancellation	29	**(21)**	**–**	**–**	**(275)**	**21**	**–**	**(275)**
Dividends	12	**–**	**–**	**–**	**(246)**	**–**	**–**	**(246)**
Tax on equity items		**–**	**–**	**–**	**–**	**–**	**25**	**25**
At 31 January 2023		**305**	**2,228**	**(22)**	**3,796**	**71**	**285**	**6,663**

£ millions	Notes	Share capital (note 29)	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves (note 30)	Total equity
								2021/22
At 1 February 2021		332	2,228	(23)	3,630	43	361	6,571
Profit for the year		–	–	–	843	–	–	843
Other comprehensive income/(loss) for the year		–	–	–	16	–	(179)	(163)
Total comprehensive income/(loss) for the year		–	–	–	859	–	(179)	680
Inventory cash flow hedges – losses transferred to inventories		–	–	–	–	–	16	16
Share-based compensation	31	–	–	–	27	–	–	27
New shares issued under share schemes		–	–	–	5	–	–	5
Own shares issued under share schemes		–	–	15	(15)	–	–	–
Purchase of own shares for cancellation	29	(7)	–	–	(226)	7	–	(226)
Purchase of own shares for ESOP trust		–	–	(38)	–	–	–	(38)
Dividends	12	–	–	–	(254)	–	–	(254)
Tax on equity items		–	–	–	(1)	–	(2)	(3)
At 31 January 2022		325	2,228	(46)	4,025	50	196	6,778

Consolidated balance sheet

At 31 January 2023

£ millions	Notes	2022/23	2021/22
Non-current assets			
Goodwill	13	**2,408**	2,424
Other intangible assets	14	**371**	330
Property, plant and equipment	15	**3,205**	3,078
Investment property	16	**30**	33
Right-of-use assets	17	**1,947**	1,885
Investments in joint ventures and associates	18	**30**	17
Post-employment benefits	28	**251**	540
Deferred tax assets	26	**16**	10
Other tax authority asset	35	**64**	64
Derivative assets	24	**–**	1
Other receivables	20	**19**	22
		8,341	8,404
Current assets			
Inventories	19	**3,070**	2,749
Trade and other receivables	20	**347**	300
Derivative assets	24	**16**	37
Current tax assets		**40**	33
Cash and cash equivalents	21	**286**	823
Assets held for sale		**3**	6
		3,762	3,948
Total assets		**12,103**	12,352
Current liabilities			
Trade and other payables	22	**(2,483)**	(2,674)
Borrowings	23	**(16)**	(14)
Lease liabilities	33	**(343)**	(347)
Derivative liabilities	24	**(47)**	(12)
Current tax liabilities		**–**	(46)
Provisions	27	**(10)**	(23)
		(2,899)	(3,116)
Non-current liabilities			
Other payables	22	**(4)**	(10)
Borrowings	23	**(102)**	(2)
Lease liabilities	33	**(2,101)**	(2,029)
Derivative liabilities	24	**(5)**	(1)
Deferred tax liabilities	26	**(205)**	(276)
Provisions	27	**(10)**	(10)
Post-employment benefits	28	**(114)**	(130)
		(2,541)	(2,458)
Total liabilities		**(5,440)**	(5,574)
Net assets	5	**6,663**	6,778
Equity			
Share capital	29	**305**	325
Share premium		**2,228**	2,228
Own shares held in ESOP trust		**(22)**	(46)
Retained earnings		**3,796**	4,025
Capital redemption reserve		**71**	50
Other reserves	30	**285**	196
Total equity		**6,663**	6,778

The financial statements were approved by the Board of Directors on 20 March 2023 and signed on its behalf by:

Thierry Garnier
Chief Executive Officer

Bernard Bot
Chief Financial Officer

Consolidated cash flow statement

Year ended 31 January 2023

£ millions	Notes	2022/23	2021/22
Operating activities			
Cash generated by operations	32	**984**	1,411
Income tax paid		**(130)**	(169)
French tax authority payments		**(34)**	–
Other tax authority payments		**–**	(64)
Net cash flows from operating activities		**820**	1,178
Investing activities			
Purchase of property, plant and equipment and intangible assets	5	**(449)**	(397)
Disposal of property, plant and equipment, intangible assets, and assets held for sale		**2**	9
Disposal of businesses, net of cash disposed		**8**	7
Interest received		**5**	2
Interest element of lease rental receipts		**1**	1
Principal element of lease rental receipts		**3**	3
Advance payments on right-of-use assets		**(7)**	(11)
Advance receipts on right-of-use assets		**2**	–
Dividends received from joint ventures and associates		**3**	1
Net cash flows used in investing activities		**(432)**	(385)
Financing activities			
Interest paid		**(5)**	(22)
Interest element of lease rental payments		**(124)**	(135)
Principal element of lease rental payments		**(329)**	(341)
Repayment of bank loans		**–**	(2)
Issue of fixed term debt		**99**	–
Repayment of fixed term debt		**–**	(95)
New shares issued under share schemes		**8**	5
Purchase of own shares for cancellation		**(337)**	(157)
Purchase of own shares for ESOP trust		**(9)**	(29)
Ordinary dividends paid to equity shareholders of the Company	12	**(246)**	(254)
Net cash flows used in financing activities		**(943)**	(1,030)
Net decrease in cash and cash equivalents and bank overdrafts		**(555)**	(237)
Cash and cash equivalents and bank overdrafts at beginning of year		**809**	1,136
Exchange differences		**16**	(90)
Cash and cash equivalents and bank overdrafts at end of year	33	**270**	809

Notes to the consolidated financial statements

1 General information

Kingfisher plc ('the Company'), its subsidiaries, joint ventures and associates (together 'the Group') supply home improvement products and services through a network of retail stores and other channels, located mainly in the United Kingdom and continental Europe. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 61.

The Company is incorporated in England and Wales, United Kingdom, and is listed on the London Stock Exchange. The address of its registered office is One Paddington Square, London, W2 1GG. A full list of related undertakings of the Company and their registered offices is given in note 14 of the Company's separate financial statements.

These consolidated financial statements have been approved for issue by the Board of Directors on 20 March 2023.

2 Principal accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, except for the new/amended policies set out below:

- Application of hyperinflation accounting under IAS 29 to the Group's Turkish joint venture (see b. Basis of consolidation, ii) Joint ventures and associates)

a. Basis of preparation

The consolidated financial statements of the Company, its subsidiaries, joint ventures and associates are made up to 31 January, except as disclosed in note 18 of the consolidated financial statements. The current financial year is the year ended 31 January 2023 ('the year' or '2022/23'). The comparative financial year is the year ended 31 January 2022 ('the prior year' or '2021/22'). The consolidated income statement and related notes represent results from continuing operations, there being no discontinued operations in the years presented.

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS Standards) as issued by the IASB.

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

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

Going concern

Based on the Group's liquidity position and cash flow projections, including a forward looking remote downside scenario, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements for the year ended 31 January 2023.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 1 to 61. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 39 to 46. The principal risks and viability statement of the Group are set out on pages 51 to 60. In addition, note 25 includes the Group's financial risk management objectives and exposures to liquidity and other financial risks. The Directors have considered these areas alongside the principal risks and how they may impact the going concern assessment.

The new financial year has started encouragingly, and despite the volatile trading environment, underlying sales trends remain resilient across all our banners (Q1 LFL sales (to 28 February 2023) +0.5%).

As of 31 January 2023, Kingfisher had access to over £800m of liquidity, comprising cash and cash equivalents (net of bank overdrafts) of £270m and access to an undrawn Revolving Credit Facility (RCF) of £550m (expiring at the end of May 2025). The ratio of net debt to EBITDA on an IFRS 16 basis was 1.6 as of 31 January 2023.

In considering whether the Group's financial statements can be prepared on a going concern basis, the Directors have reviewed the Group's business activities together with factors likely to affect its performance, financial position and access to liquidity (including consideration of financial covenants and credit ratings).

While trading continues to be resilient, in forming their outlook on the future financial performance, the Directors considered the risk of higher business volatility and the potential negative impact of the general economic environment on household and trade spend.

The Directors' review also included consideration of a remote scenario that models the impact of a significant demand or supply shock preventing the Group from realising a large part of its sales over the period of a month followed by subdued demand for the remainder of the year. The total loss of sales in this scenario is c.£2.2bn (16% over the impacted period). The scenario assumes the impact of lost sales is partially offset by a limited set of mitigating actions on variable and discretionary costs, capital expenditure and the suspension of capital returns to shareholders. Even under this remote scenario, which requires drawing on the RCF for a few months, the Group retains headroom on its credit facilities.

Given current trading and expectations for the business, the Directors believe that this scenario reflects a remote outcome for the Group. Should a more extreme scenario occur than currently modelled by the Directors under this remote scenario, the Group would need to implement additional operational or financial measures.

Notes to the consolidated financial statements continued

2 Principal accounting policies continued

Changes to accounting policies as a result of new standards issued and effective

The following new or amended accounting standards are in issue and effective for the current reporting period:

- Amendments to IFRS 3 – Reference to the Conceptual Framework
- Amendments to IAS 16 – Property, Plant and Equipment -Proceeds before Intended Use
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvement to IFRS Standards 2018-2020 Cycle – Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture

The above new or amended accounting standards did not have a material impact on the consolidated financial statements.

Following the International Monetary Fund's classification of Turkey as a hyperinflationary economy during the year, the IASB prescribed the application of IAS 29 – Financial reporting in hyper-inflationary economies for entities with the currency of Turkey as their functional currency. The Group's Turkish joint venture, Koctas, has prepared its financial statements under IAS 29.

Standards issued but not yet effective

At the date of the approval of these financial statements, the following standards which have not been applied in these financial statements were in issue, but not yet effective:

- IFRS 17 (including the June 2020 Amendments to IFRS 17) – Insurance Contracts
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
- Amendments to IAS 8 – Definition of Accounting Estimates
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

These new standards are not expected to have a material impact on the consolidated financial statements.

Risks and uncertainties

The principal risks and uncertainties to which the Group is exposed are set out in the Strategic Report on pages 51 to 58.

Use of non-GAAP measures

In the reporting of financial information, the Group uses certain measures that are not required under IFRS, the generally accepted accounting principles ('GAAP') under which the Group reports. Kingfisher believes that retail profit, adjusted pre-tax profit, adjusted effective tax rate, and adjusted earnings per share provide additional useful information on performance and trends to shareholders. These and other non-GAAP measures (also known as 'Alternative Performance Measures'), such as net debt, are used by Kingfisher for internal performance analysis and incentive compensation arrangements for employees.

The terms 'retail profit', 'adjusting items', 'adjusted', 'adjusted effective tax rate', 'net cashflow' and 'net debt' are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measures.

Retail profit is defined as continuing operating profit before central costs, the Group's share of interest and tax of joint ventures and associates and adjusting items. Central costs principally comprise the costs of the Group's head office before adjusting items.

Adjusting items, which are presented separately within their relevant income statement category, include items which by virtue of their size and/or nature, do not reflect the Group's ongoing trading performance. Adjusting items may include, but are not limited to:

- non-trading items included in operating profit such as profits and losses on the disposal, closure, exit or impairment of subsidiaries, joint ventures, associates and investments which do not form part of the Group's ongoing trading activities;
- the costs of significant restructuring and incremental acquisition integration costs;
- profits and losses on the disposal/exit of properties, impairments of goodwill and significant impairments (or impairment reversals) of other non-current assets;
- prior year tax items (including the impact of changes in tax rates on deferred tax), significant one-off tax settlements and provision charges/releases and the tax effects of other adjusting items;
- financing fair value remeasurements i.e. changes in the fair value of financing derivatives, excluding interest accruals, offset by fair value adjustments to the carrying amount of borrowings and other hedged items under fair value (or non-designated) hedge relationships. Financing derivatives are those that relate to hedged items of a financing nature.

The term 'adjusted' refers to the relevant measure being reported for continuing operations excluding adjusting items.

The adjusted effective tax rate is calculated as continuing income tax expense excluding prior year tax items (including the impact of changes in tax rates on deferred tax), significant one-off tax settlements and provision charges/releases and the tax effects of other adjusting items, divided by continuing profit before taxation excluding adjusting items. Prior year tax items represent income statement tax relating to underlying items originally arising in prior years, including the impact of changes in tax rates on deferred tax. The exclusion of items relating to prior years, and those not in the ordinary course of business, helps provide a better indication of the Group's ongoing rate of tax.

Net debt comprises lease liabilities, borrowings and financing derivatives (excluding accrued interest) less cash and cash equivalents and short-term deposits, including such balances classified as held for sale.

Refer to the Financial Review for definitions of all of the Group's Alternative Performance Measures, including further information on why they are used and details of where reconciliations to statutory measures can be found where applicable.

b. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, its subsidiaries, joint ventures and associates.

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries acquired are recorded under the acquisition method of accounting and their results included from the date of acquisition.

The results of subsidiaries which have been disposed are included up to the effective date of disposal.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interests in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of acquired subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Joint ventures and associates

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

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

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

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

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

In March 2022, the three-year cumulative inflation in Turkey exceeded 100% and as a result, hyperinflationary accounting was applied for the year ended 31 January 2023 in respect of the group's joint venture in Turkey.

The group's consolidated financial statements include the equity accounted results and financial position of its Turkish joint venture restated to the current purchasing power at the end of the period, with hyperinflationary gains and losses in respect of monetary items being reported in operating profit.

Note, IAS 29 does not require the restatement of prior year comparative figures in the consolidated financial statements. For 2022/23, the application of IAS 29 has resulted in a £9m increase in the Group's investment in the joint venture, a £4m charge to the consolidated income statement and a £13m credit to Other Comprehensive Income.

c. Foreign currencies

(i) Presentation and functional currencies

The consolidated financial statements are presented in Sterling, which is the Group's presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (i.e. its functional currency).

(ii) Transactions and balances

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction or, for practical reasons, at average monthly rates where exchange rates do not fluctuate significantly.

Notes to the consolidated financial statements continued

2 Principal accounting policies continued

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange at the balance sheet date. Exchange differences on monetary items are taken to the income statement. Exceptions to this are where the monetary items form part of the net investment in a foreign operation or are designated and effective net investment hedges. Such exchange differences are initially deferred in equity.

(iii) Group companies
The balance sheets of overseas subsidiaries are expressed in Sterling at the rates of exchange at the balance sheet date. Profits and losses of overseas subsidiaries are expressed in Sterling at average exchange rates for the period. Exchange differences arising on the retranslation of foreign operations, including joint ventures and associates, are recognised in a separate component of equity.

On consolidation, exchange differences arising from the retranslation of the net investment in foreign entities, and of borrowings, lease liabilities and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, such exchange differences recorded since 1 February 2004 (being the date of transition to IFRS) are recognised in the income statement as part of the gain or loss on disposal.

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

(iv) Principal rates of exchange against Sterling

	2022/23		2021/22	
	Average rate	**Year end rate**	Average rate	Year end rate
Euro	**1.17**	**1.13**	1.17	1.20
US Dollar	**1.23**	**1.23**	1.38	1.34
Polish Zloty	**5.48**	**5.34**	5.34	5.49
Romanian Leu	**5.76**	**5.58**	5.76	5.92
Turkish Lira*	**23.18**	**23.18**	12.92	18.06

* The 2022/23 Turkish Lira average exchange rate represents the closing rate for the year, due to the application of hyperinflation accounting in Turkey.

d. Revenue recognition

Sales represent the supply of home improvement products and services, including commission from sales of third party products through Kingfisher websites (i.e. 'marketplace' arrangements). Sales exclude transactions made between companies within the Group, Value Added Tax, other sales-related taxes and are net of returns, trade and staff discounts.

Revenue is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue from in-store product sales is recognised when the customer takes possession of the products (i.e. on payment). Revenue from online 'click & collect' product sales is recognised on collection of the products. Where customers have a right to return purchased goods in exchange for a refund, a liability for returns is recognised based on historic trends and offset against revenue in the period in which the sale was made. An asset (with a corresponding adjustment to cost of sales) is also recognised for goods expected to be returned from customers. Where award credits such as vouchers or loyalty points are provided as part of the sales transaction, the amount allocated to the credits is deferred and recognised when the credits are redeemed and the Group fulfils its obligations to supply the awards.

Revenue from sales of delivered products is recognised on delivery. Supply of delivered products is judged to be one single performance obligation.

Service sales typically comprise kitchen and bathroom installations. Revenue from these services is recognised on completion of the relevant installation.

Commission revenue is earned from the sale of third-party products through Kingfisher websites. This is referred to as a marketplace arrangement. Kingfisher acts as an agent in such arrangements and recognises the net commission receivable within sales, generally when an order is placed.

Sales from delivered products, installation services and marketplace arrangements represent only a small component of the Group's sales as the majority relates to in-store and online 'click & collect' purchases of products.

Other income includes external rental income and gains on disposal of assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

e. Rebates

Rebates received from suppliers mainly comprise volume related rebates on the purchase of inventories. Contractual volume related rebates are accrued as units are purchased based on the percentage rebate applicable to forecast total purchases over the rebate period, where it is probable the rebates will be received and the amounts can be estimated reliably. Discretionary rebates are not anticipated and only recognised once earned. Rebates relating to inventories purchased but still held at the balance sheet date are deducted from the carrying value so that the cost of inventories is recorded net of applicable rebates. Such rebates are credited to the cost of sales line in the income statement when the goods are sold.

Other rebates received, such as those related to advertising and marketing, are credited to cost of sales in the income statement when the relevant conditions have been fulfilled.

f. Dividends

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

g. Intangible assets

(i) Goodwill

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

Goodwill is carried at cost less accumulated impairment losses. Goodwill is not amortised and is tested annually for impairment at country level (except for NeedHelp), representing the lowest level at which it is monitored for internal management purposes, by assessing the recoverable amount of each cash generating unit or groups of cash generating units to which the goodwill relates. The recoverable amount is assessed by reference to the net present value of expected future pre-tax cash flows ('value-in-use') or fair value less costs to sell if higher. The pre-tax discount rates are derived from the Group's weighted average cost of capital, taking into account the cost of equity and debt, to which specific market-related premium adjustments are made for each country in which the cash generating unit ('CGU') operates. When the recoverable amount of the goodwill is less than its carrying amount, an impairment loss is recognised immediately in the income statement which cannot subsequently be reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Computer software

Where software is not an integral part of a related item of computer hardware, it is classified as an intangible asset. Costs that are directly associated with the acquisition or production of identifiable software products controlled by the Group, which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Capitalised costs include those of software licences and development, including costs of employees, consultants and an appropriate portion of relevant overheads.

Costs related to the configuration and customisation in cloud computing arrangements, where they do not give the Group power to control the future economic benefits and to restrict access of others to those benefits, are not capitalised as they do not meet the definition of intangible benefits under IAS 38. Such costs are expensed as incurred. Configuration and customisation in cloud computing arrangements are only capitalised where a separate asset is created and capitalisable under IAS 38.

Costs associated with identifying, sourcing, evaluating or maintaining computer software are recognised as an expense as incurred.

Software under development is held at cost less any provisions for impairment, with impairment reviews being performed annually, or when there is an indication of impairment.

Amortisation commences when the software assets are available for use and is over their estimated useful lives of two to ten years.

h. Property, plant and equipment

(i) Cost

Property, plant and equipment held for use in the business are carried at cost less accumulated depreciation and any provisions for impairment.

Properties that were held at 1 February 2004 are carried at deemed cost, being the fair value of land and buildings as at the transition date to IFRS. All property acquired after 1 February 2004 is carried at cost less accumulated depreciation.

(ii) Depreciation

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

Freehold land	– not depreciated
Freehold buildings	– over remaining useful life
Leasehold improvements	– over remaining period of the lease
Fixtures and fittings	– between 4 and 20 years
Computers and electronic equipment	– between 3 and 5 years
Motor cars	– 4 years
Commercial vehicles	– between 3 and 10 years

(iii) Impairment

At each reporting date an assessment is performed as to whether there are any indicators that property, plant and equipment, including the Group's stores, may be impaired or whether there is any indication that an impairment loss recognised in a previous period either no longer exists or has decreased. Should such indicators exist, the assets' recoverable amounts are subsequently estimated. For store impairment testing, each individual store is determined to be a cash generating unit. The recoverable amount is assessed by reference to the net present value of expected future pre-tax cash flows ('value-in-use') of the relevant cash generating unit or fair value less costs to sell if higher. A vacant possession valuation basis is used to approximate the fair value less costs to sell. The pre-tax discount rates are derived from the Group's weighted average cost of capital, taking into account the cost of equity and debt, to which specific market-related premium adjustments are made for each country. Long-term growth rates are derived from both external long-term inflation forecasts for the territories in which the businesses operate and internal long-term sales projections. Any impairment or impairment reversal is charged or credited to the income statement in the period in which it occurs.

(iv) Disposal

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

(v) Subsequent costs

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

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

Notes to the consolidated financial statements continued

2 Principal accounting policies continued

i. Leased assets

The Group assesses whether a contract is or contains a lease at inception of the contract. Typically, lease contracts relate to properties such as stores and distribution centres, and equipment leases such as mechanical handling equipment and vehicles. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The liability is initially measured as the present value of the lease payments not yet paid at the commencement date, discounted at an appropriate discount rate. Where the implicit rate in the lease is not readily determinable, an incremental borrowing rate is calculated and applied. The calculation methodology is based upon applying a financing spread to a risk-free rate, with the resulting rate including the effect of the creditworthiness of the operating company in which the lease is contracted, as well as the underlying term, currency and start date of the lease agreement.

Lease payments used in the measurement of the lease liability principally comprise fixed lease payments (subject to indexation/rent reviews) less any incentives. The lease liability is subsequently measured using an effective interest method whereby the carrying amount of the lease liability is measured on an amortised cost basis, and the interest expense is allocated over the lease term. The lease term comprises the non-cancellable lease term, in addition to optional periods when the Group is reasonably certain to exercise an option to extend (or not to terminate) a lease.

The Group remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever an event occurs that changes the term or payment profile of a lease, such as the renewal of an existing lease, the exercise of lease term options, market rent reviews and indexation. A lease liability which is denominated in a currency that is not the functional currency of the relevant Group entity (e.g. a Euro-denominated lease in Castorama Poland) is translated into that entity's functional currency with foreign exchange gains and losses recorded in the income statement, unless the lease liability is able to be designated as a net investment hedge with foreign exchange gains and losses recorded in other comprehensive income.

The right-of-use assets are initially measured at the amount equal to the lease liability, adjusted by any upfront lease payments or incentives and any initial direct costs incurred. Subsequently, the assets are measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated on a straight-line basis over the remaining lease term.

Lessor accounting

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

j. Investment property

Investment property is property held by the Group to earn rental income or for capital appreciation. Investment properties are carried at cost less depreciation and provision for impairment. Depreciation is provided on a consistent basis with that applied to property, plant and equipment.

k. Capitalisation of borrowing costs

Interest on borrowings to finance the construction of properties held as non-current assets is capitalised from the date work starts on the property to the date when substantially all the activities which are necessary to get the property ready for use are complete. Where construction is completed in parts, each part is considered separately when capitalising interest. Interest is capitalised before any allowance for tax relief.

l. Inventories

Inventories are carried at the lower of cost and net realisable value, on a weighted average cost basis.

Trade discounts and rebates received are deducted in determining the cost of purchase of inventories. Cost includes appropriate attributable overheads and direct expenditure incurred in the normal course of business in bringing goods to their present location and condition. Costs of inventories include the transfer from equity of any gains or losses on qualifying cash flow hedges relating to purchases.

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

m. Employee benefits

(i) Post-employment benefits

The Group operates various defined benefit and defined contribution pension schemes for its employees, some of which are required by local legislation. A defined benefit scheme is a pension scheme which defines an amount of pension benefit which an employee will receive on retirement. A defined contribution scheme is a pension scheme under which the Group usually pays fixed contributions into a separate entity. In all cases other than some of the legally required schemes, a separate fund is being accumulated to meet the accruing liabilities. The assets of each of these funds are either held under trusts or managed by insurance companies and are entirely separate from the Group's assets.

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

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

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

(ii) Share-based compensation

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

n. Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year.

The Group is subject to income taxes in numerous jurisdictions and there are many transactions for which the ultimate tax determination is uncertain during the ordinary course of business. For uncertain tax positions, on the basis that tax authorities have full knowledge of the relevant information it is determined whether it is probable that, in aggregate, an outflow of economic resources will occur following investigation. The potential impact of the relevant tax authority's examination of the uncertain tax positions is measured to make the best estimate of the amount of the tax benefit that may be lost, for which liabilities are then recorded. Where the final outcome of these matters is different from the amounts which were initially recorded, such differences will impact the income tax and deferred tax liabilities in the period in which such determination is made. These adjustments in respect of prior years are recorded in the income statement, or directly in equity, as appropriate.

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

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

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

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

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

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

Current and deferred tax assets and liabilities are offset against each other when they relate to income taxes levied by the same tax jurisdiction and when the Group intends to settle its current tax assets and liabilities on a net basis.

Operating levies, such as certain revenue, property and payroll-based taxes, are not treated as income tax and are included within operating profit. The timing of recognition of a liability to pay an operating levy is determined by the event identified under the relevant legislation that triggers the obligation to pay the levy.

o. Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

A provision is recorded if the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it. The unavoidable costs reflect the net cost of exiting the contract.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate which reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Credits or charges arising from changes in the rate used to discount the provisions are recognised within net finance costs.

Notes to the consolidated financial statements continued

2 Principal accounting policies continued

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

p. Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the Group has substantially transferred the risks and rewards of ownership. Financial liabilities (or a part of a financial liability) are derecognised when the obligation specified in the contract is discharged or cancelled or expires or are substantially modified.

Financial assets and liabilities are offset only when the Group has a currently enforceable legal right to set-off the respective recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, uncleared credit card receipts, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less. For cashflow statement reporting purposes, the Group considers bank overdrafts as part of cash and cash equivalents because they are repayable on demand and form part of the Group's cash management.

(ii) Borrowings

Interest bearing borrowings are recorded at fair value (which is typically equivalent to the proceeds received) net of direct issue costs and subsequently measured at amortised cost. Where borrowings are in designated and effective fair value hedge relationships, adjustments are made to their carrying amounts to reflect the hedged risks. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are amortised to the income statement using the effective interest method.

(iii) Trade receivables

Trade receivables are initially recognised at their transaction price and are subsequently measured at amortised cost less any allowance for expected credit losses. To measure the expected credit losses, trade receivables are grouped based on the days past due. Trade receivables are written off when there is no reasonable expectation of recovery.

(iv) Trade payables

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost.

(v) Derivatives and hedge accounting

Derivatives are initially recorded at fair value on the date a derivative contract is entered into and are subsequently carried at fair value.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts, and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

Where hedge accounting is not applied, or to the extent to which it is not effective, changes in the fair value of derivatives are recognised in the income statement as they arise. Changes in the fair value of derivatives transacted as hedges of operating items and financing items are recognised in operating profit and net finance costs respectively.

The accounting treatment of derivatives and other financial instruments classified as hedges depends on their designation, which occurs at the start of the hedge relationship. The Group designates certain financial instruments as:

- a hedge of the fair value of an asset or liability or unrecognised firm commitment ('fair value hedge');
- a hedge of a highly probable forecast transaction or firm commitment if foreign currency risk is hedged ('cash flow hedge'); or
- a hedge of a net investment in a foreign operation ('net investment hedge').

Fair value hedges

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry being recorded in the income statement. Gains or losses from remeasuring the corresponding hedging instrument are recognised in the same line of the income statement.

Cash flow hedges

Changes in the effective portion of the fair value of derivatives that are designated as hedges of future cash flows are recognised directly in other comprehensive income, with any ineffective portion being recognised immediately in the income statement where relevant. If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of a non-financial asset or liability, then, at the time it is recognised, the associated gains or losses on the derivative that had previously been deferred in equity are included in the initial measurement of the non-financial asset or liability. For all other hedges, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Net investment hedges

Where the Group hedges net investments in foreign operations through foreign currency borrowings or lease liabilities, the gains or losses on retranslation are recognised in other comprehensive income. If the Group uses derivatives as the hedging instrument, the effective portion of the hedge is recognised in other comprehensive income, with any ineffective portion being recognised immediately in the income statement. Gains and losses accumulated in equity are recycled through the income statement on disposal of the foreign operation.

In order to qualify for hedge accounting, the Group documents in advance the risk management objective and strategy for undertaking the hedge and the relationship between the item being hedged and the hedging instrument. The Group also documents and demonstrates an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis and provides an analysis of the sources of hedge ineffectiveness. The effectiveness testing is performed at half year and year end or upon a significant change in circumstances affecting the hedge effectiveness requirements.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument is retained in equity until the highly probable forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss deferred in equity is transferred to the income statement.

q. Assets and liabilities held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. This excludes financial assets, deferred tax assets and assets arising from employee benefits, which are measured according to the relevant accounting policy.

Property, plant and equipment, right-of-use assets and intangible assets are not depreciated once classified as held for sale. The Group ceases to use the equity method of accounting from the date on which an interest in a joint venture or an interest in an associate becomes classified as held for sale.

r. Share repurchases

Shares purchased for cancellation are deducted from retained earnings. The Group uses irrevocable closed period buyback programmes. A liability to purchase shares is recognised at inception of the programme with any subsequent reduction in the obligation credited back to retained earnings at the end of the programme. Share capital is reduced and credited to the capital redemption reserve once shares are cancelled, maintaining non-distributable reserves.

s. Reserves

The following describes the nature and purpose of each reserve within equity:

(i) Share capital
The nominal value of proceeds received for shares issued.

(ii) Share premium
Proceeds received in excess of the nominal value of shares issued, net of any transaction costs.

(iii) Own shares held
Shares held by The Employee Share Ownership Plan Trust.

(iv) Capital redemption reserve
Amounts transferred from share capital on repurchase of issued shares.

(v) Other reserves, comprising:
- Translation reserve – Gains or losses arising on retranslating the net assets of overseas operations into the Group's presentation currency including gains or losses on net investment hedges.
- Cash flow hedge reserve – Cumulative gains and losses on 'effective' hedging instruments.
- Other – Represents the premium on the issue of convertible loan stock in 1993 and the merger reserve relating to the acquisition of Darty in 1993.

(vi) Retained earnings
All other net gains and losses and transactions with owners that are not recognised elsewhere.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The significant judgements applied in the preparation of the financial statements, along with estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below.

Key sources of estimation uncertainty

Inventories

The carrying amount of inventories recognised on the balance sheet, which are carried at the lower of cost and net realisable value, are subject to estimates around rates of provision applied to certain inventory items. The level of provisions recorded are subject to estimation uncertainty in determining the eventual sales price of goods to customers in the future, as well as assessing which items may be slow-moving or obsolete. This is impacted by factors such as stock turn, range or delisted status, shrinkage, damage, obsolescence and range review activity.

Range reviews and resulting clearance activity adds additional complexity to assessing the level of inventory that may become obsolete and the expected net realisable value of inventory which will be sold.

The carrying amount of inventories subject to estimation uncertainty is £3,070m (2021/22: £2,749m). A 1% increase in the provision as a percentage of gross inventory (before provisions and a deduction for rebates), which based on management's judgement represents a reasonably possible change, would result in a £33m decrease in the carrying amount of inventories (2021/22: £29m).

Notes to the consolidated financial statements continued

3 Critical accounting judgements and key sources of estimation uncertainty continued

The quantity, age and condition of inventories are regularly measured and assessed as part of range reviews and inventory counts undertaken throughout the year and across the Group.

Impairment of store based assets

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

Store assets are reviewed for impairment if events or changes in circumstances indicate that their carrying amount may not be recoverable, or where there is any indication that an impairment loss recognised in a previous period either no longer exists or has decreased. When a review for impairment is conducted, the recoverable amount of an asset or a cash generating unit is determined as the higher of fair value less costs to sell and value-in-use.

The determination of value-in-use for store assets requires the estimation of future cash flows expected to arise from the continuing operation of the store and the determination of suitable discount and long-term growth rates in order to calculate the present value of the forecast cash flows. Judgement is also required around the nature and level of overheads that are necessarily incurred to generate cash inflows in the context of allocation to individual store cash generating units. Note that the estimation of future cash flows and determination of suitable discount rates requires a greater level of judgement than the determination of long-term growth rates, with discount rates also having been subject to greater recent volatility.

Sales projections take into consideration both external factors such as market expectations, and internal factors such as trading plans. For certain stores, they assume sales increases that are higher than recent (pre-pandemic) experience and market growth expectations, driven by an improved and differentiated offer. Assumed margin percentage improvements reflect increased sales of the Group's own exclusive brands (OEB) as well as lower cost of sales from leveraging our key vendors, and better clearance management. Higher assumed operating profit percentages reflect operational leverage from increased sales as well as cost savings through operational efficiencies, including more efficient organisation and leveraging our goods not for resale (GNFR) spend. Actual outcomes could vary significantly from these estimates and sensitivity analyses are undertaken to assess the impact of projected benefits not being realised.

The pre-tax discount rates applied to the cash flow forecasts are derived from the post-tax weighted average cost of capital for each of the territories in which the Group operates. The assumptions used in the calculation of the weighted average cost of capital are based on observable external market data.

Cash flows beyond the period of the strategic plans are calculated using a long-term growth rate which does not exceed the long-term average growth rates for the countries in which the Group's stores operate.

In consideration of the significant increase in discount rates resulting from high levels of inflation and wider macroeconomic uncertainty, the Group has undertaken a full impairment review of its stores in the current year. As a result of this review, the Group has recorded net store asset impairment charges of £139m (2021/22: £33m net reversals) as adjusting items, principally relating to increased discount rates and revised financial projections.

The following changes in assumptions, which based on the Group's previous experience and management's judgement represent reasonably possible changes, would lead to the following impacts on the net impairment:

Assumption	Change in assumption	Impact on net impairment charge
Operating cash flows	– Decrease by 10%	Increase by £44m
	– Increase by 10%	Decrease by £32m
Post-tax discount rate	– Increase by 1%	Increase by £40m
	– Decrease by 1%	Decrease by £33m

In consideration of the recent volatility in discount rates, note that a 1.5% increase/decrease in the post-tax discount rate assumption would result in an increase/decrease in the net impairment charge of £59m and £47m respectively.

Further information relating to store assets is provided in notes 15 and 17.

Post-employment benefits

The present value of the defined benefit liabilities recognised on the balance sheet is dependent on a number of market rates and assumptions including interest rates of high quality corporate bonds, inflation and mortality rates. The net interest expense or income is dependent on the interest rates of high quality corporate bonds and the net deficit or surplus position. The market rates and assumptions are based on the conditions at the time and changes in these can lead to significant movements in the estimated obligations. During the year, changes in financial and demographic assumptions have resulted in a decrease in defined benefit liabilities of £991m (2021/22: £127m). To help the reader understand the impact of changes in the key market rates and assumptions, a sensitivity analysis is provided in note 28.

Critical accounting judgements

Adjusting items

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

Judgement is required in determining whether an item should be classified as an adjusting item or included within adjusted results.

The Group's definition of adjusting items is outlined in note 2 (a). During the year the Group has recorded, before taxation, a charge for adjusting items of £147m (2021/22: £58m credit). Total adjusting items after taxation were a charge of £118m (2021/22: £106m credit). Refer to note 6 for further information on adjusting items.

Income taxes
The Group is subject to income taxes in numerous jurisdictions in which it operates and there are many transactions for which the ultimate tax determination is open to differing interpretations during the ordinary course of business. Significant judgement may therefore be required in determining the liability for income taxes in each of these territories. Where it is anticipated that additional taxes are probable, the Group recognises liabilities for the estimate of any potential exposure. These judgements are continually reassessed, and where the final outcome of these matters is different from the initially recorded amount, such differences will impact the income tax and deferred tax liabilities in the period in which such determination is made. These adjustments in respect of prior years are recorded in the income statement, or directly in other comprehensive income as appropriate, and are disclosed in the notes to the accounts. Refer to notes 10 and 26.

Judgement has continued to be required in determining the outcome of the European Commission's state aid investigation into the Group Financing Exemption section of the UK controlled foreign company rules. In January 2021, the Group received a charging notice from HM Revenue & Customs (HMRC) for £57m, which was paid in February 2021, with a further £7m interest paid in April 2021.

The UK Government and the Group, along with other UK-based multinational groups, appealed the European Commission decision to the European Courts. On 8 June 2022, the General Court of the European Union dismissed several of those appeals, including the UK Government's. This decision has been appealed to the European Court of Justice.

The final impact on the Group remains uncertain but based upon advice taken, the Group considers that the amount paid of £64m, which is included in non-current assets, will ultimately be recovered. Further details are provided in note 35.

Consideration of climate-related matters

In preparing these financial statements, the Group has considered the elevation of climate change from an 'emerging risk' to a 'principal risk' and the potential impacts of climate change on these financials. As set out on pages 51 to 58 of the Strategic Report, the elevation from an emerging risk to a principal risk is predominantly driven by operational and reputational risk to the group, not by the increase in financial risk in the short term. The expectation of limited financial impacts is supported by the modelling work described in the TCFD disclosures on pages 27 to 35, the financial impacts of which are smaller than the results of the Group's impairment sensitivity analysis on operating cash flows, see above.

The potential impacts of climate change on the financials have been considered in the following areas:

- Carrying value and remaining useful economic lives of property, plant and equipment;
- Carrying value of inventories and valuations of other assets and of provisions;
- Viability statement assessment of the Group over the next three years; and
- Cash flow forecasts used for the purposes of impairment assessments including goodwill.

To support our net zero ambitions, the Group continues to invest in 'greener' fixed assets which replace existing fixed assets. The Group has not recognised any material impairments or accelerated depreciation to existing fixed assets resulting from this activity.

Current assets including trade receivables and inventories are expected to be received and utilised respectively within a short timeframe, and therefore no climate-related risks have been identified for these balances, whilst the Group is not currently aware of adverse exposures from climate change requiring provisions to be recognised.

The Group's internal three-year financial planning acts as the basis for the Viability Statement financial modelling and for impairment reviews of non-current assets including goodwill. It includes climate-related costs and opportunities expected within the internal financial planning time horizon.

Within the Viability Statement modelling, cash flow sensitivities are performed, for which the most severe scenario estimates the impact of a demand or supply shock preventing the Group from realising a large part of its sales during the peak trading period. The shock, as described in the Viability Statement on pages 59 to 60, would go significantly beyond the expected short-term impact from a remote climate-driven extreme weather event, such as severe flooding and the resulting damage to one or more of the group's distribution centres.

The financial modelling of climate change scenarios performed by an external party, as described in the TCFD disclosure on pages 27 to 35, identified significant increases in carbon taxes as potentially having the largest adverse impact on the Group's discounted cashflows, at 1-5%. Given that this is below the 10% reduction in cash flows performed for impairment sensitivity analysis above, combined with the most significant potential impact of the carbon tax increase being beyond the Group's three-year financial planning period, it is not judged to be a key driver in determining the outcome of this exercise, nor that of the Viability Statement.

Therefore, the Group has concluded that climate change risk does not represent a critical accounting judgement or key source of estimation uncertainty for the current year financial statements. This classification will be reassessed in future reporting periods as we continue to review the impacts, risks and opportunities presented by climate change and the Group's commitments to address the challenges presented.

Notes to the consolidated financial statements continued

4 Sales

£ millions	2022/23	2021/22
B&Q	**3,835**	4,178
Screwfix	**2,365**	2,327
UK & Ireland	**6,200**	6,505
Castorama	**2,302**	2,296
Brico Dépôt	**2,150**	2,202
France	**4,452**	4,498
Poland	**1,734**	1,525
Iberia	**373**	366
Romania	**285**	279
Other[1]	**15**	10
Other International	**2,407**	2,180
Total Group	**13,059**	13,183

1. 'Other' consists of the consolidated results of NeedHelp, Screwfix International and revenue from franchise agreements.

5 Segmental analysis

Income statement

	2022/23					
£ millions	UK & Ireland	France	*Poland*	*Other*	Other International	Total
Sales	**6,200**	**4,452**	*1,734*	*673*	**2,407**	**13,059**
Retail profit/(loss)	**603**	**195**	*148*	*(23)*	**125**	**923**
Central costs						**(49)**
Share of interest and tax of joint ventures and associates						**(4)**
Adjusting items						**(147)**
Operating profit						**723**
Net finance costs						**(112)**
Profit before taxation						**611**

	2021/22					
£ millions	UK & Ireland	France	*Poland*	*Other*	Other International	Total
Sales	6,505	4,498	*1,525*	*655*	2,180	13,183
Retail profit/(loss)	794	221	*135*	*(2)*	133	1,148
Central costs						(60)
Share of interest and tax of joint ventures and associates						(2)
Adjusting items						58
Operating profit						1,144
Net finance costs						(137)
Profit before taxation						1,007

Balance sheet

£ millions	UK & Ireland	France	Poland	Other	Other International	Total
						2022/23
Segment assets	**3,084**	**1,914**	*1,106*	*366*	**1,472**	**6,470**
Central assets						**59**
Goodwill						**2,408**
Net debt						**(2,274)**
Net assets						**6,663**

£ millions	UK & Ireland	France	Poland	Other	Other International	Total
						2021/22
Segment assets	3,052	1,682	*942*	*332*	1,274	6,008
Central liabilities						(82)
Goodwill						2,424
Net debt						(1,572)
Net assets						6,778

Other segmental information

£ millions	UK & Ireland	France	Poland	Other	Other International	Central	Total
							2022/23
Capital expenditure	**251**	**113**	*60*	*18*	**78**	**7**	**449**
Depreciation and amortisation	**357**	**140**	*56*	*29*	**85**	**–**	**582**
Impairment losses	**64**	**70**	*1*	*30*	**31**	**–**	**165**
Impairment reversals	**–**	**(10)**	–	–	**–**	**–**	**(10)**
Non-current assets[1]	**4,516**	**2,217**	*922*	*317*	**1,239**	**19**	**7,991**

£ millions	UK & Ireland	France	Poland	Other	Other International	Central	Total
							2021/22
Capital expenditure	221	91	*73*	*10*	83	2	397
Depreciation and amortisation	340	138	*50*	*27*	77	–	555
Impairment losses	16	15	–	–	–	–	31
Impairment reversals	(26)	(24)	*(1)*	*(11)*	(12)	–	(62)
Non-current assets[1]	4,429	2,172	*865*	*299*	1,164	2	7,767

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

The operating segments disclosed above are based on the information reported internally to the Board of Directors and Group Executive, representing the geographical areas in which the Group operates. The Group only has one reportable business segment, being the supply of home improvement products and services. The majority of the sales in each geographical area are derived from in-store and online sales of products.

The 'Other International' segment consists of Poland, Iberia, Romania, the joint venture Koçtaş in Turkey, NeedHelp, Screwfix International and results from franchise agreements. Poland has been shown separately due to its significance.

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

Notes to the consolidated financial statements continued

6 Adjusting items

£ millions	2022/23	2021/22
Included within selling and distribution expenses		
Net store asset impairment (losses)/reversals	**(139)**	33
Release of France and other restructuring provisions	**3**	9
	(136)	42
Included within administrative expenses		
Romania goodwill impairment	**(16)**	–
Release of Castorama Russia disposal warranty liability	**4**	–
Release of France uncertain operating tax position	**–**	9
Commercial operating model restructuring	**–**	4
	(12)	13
Included within other income		
Profit on exit of properties	**1**	3
	1	3
Adjusting items before tax	**(147)**	58
Prior year and other adjusting tax items	**29**	48
Adjusting items	**(118)**	106

In consideration of the significant increase in discount rates resulting from high levels of inflation and wider macroeconomic uncertainty, the Group has undertaken a full impairment review of its stores. The significant increase in discount rates, combined with revised financial projections, has resulted in the recognition of £139m of net store asset impairment charges in the year. These have been recorded principally in the UK and France.

Current year adjusting items include a £3m credit arising due to savings on costs relating to legacy store closure programmes in France as compared with the original restructuring provisions recognised as adjusting items.

An impairment charge of £16m has been recorded relating to the remaining goodwill in Romania, principally driven by the significant increase in discount rates and revised financial projections.

A £4m liability that was held in relation to warranties as part of the Castorama Russia disposal in 2020 has been released in the year following the expiry of the warranty claims period.

A profit of £1m has been recorded on the exit of one property in the UK.

Prior year and other adjusting tax items relate principally to deferred tax credits recorded in respect of the impairments noted above and a release of prior year provisions for uncertain tax positions, which reflect a reassessment of expected outcomes, agreed positions with tax authorities and items that have time-expired.

7 Net finance costs

£ millions	2022/23	2021/22
Bank overdrafts, bank loans and derivatives	**(3)**	(7)
Fixed term debt	**(2)**	(3)
Lease liabilities	**(124)**	(135)
Other interest payable	**–**	(3)
Finance costs	**(129)**	(148)
Cash and cash equivalents and short-term deposits	**5**	2
Net interest income on defined benefit pension schemes	**11**	8
Finance lease income	**1**	1
Finance income	**17**	11
Net finance costs	**(112)**	(137)

Interest on bank loans and fixed term debt interest includes amortisation of issue costs on borrowing facilities of £1m (2021/22: £2m).

8 Profit before taxation

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

£ millions	2022/23	2021/22
Research and development recognised as an expense	1	1
Government grants	–	(6)
Amortisation of intangible assets[1]	84	82
Depreciation of property, plant and equipment, investment property and right of use assets	498	473
Impairment of goodwill	16	–
Impairment of intangible assets	3	2
Impairment of property, plant and equipment, right-of-use assets, investment property and assets held for sale	146	29
Reversal of impairment of property, plant and equipment and right-of-use assets	(10)	(62)
Loss on disposal of land and buildings and investment property	–	1
Write-down to recoverable amount of trade and other receivables	7	1

1. Of the amortisation of intangible assets charge, £1m (2021/22: £2m) and £83m (2021/22: £80m) are included in selling and distribution expenses and administrative expenses respectively.

Auditor's remuneration

£ millions	2022/23	2021/22
Fees payable for the audit of the Company and consolidated financial statements	1.0	0.5
Fees payable to the Company's auditor and their associates for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation	1.7	1.2
Audit fees	**2.7**	1.7
Audit-related assurance services	0.2	0.2
Other assurance services	0.1	0.1
Non-audit fees	0.3	0.3
Auditor's remuneration	**3.0**	2.0

Details of the Group's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity were safeguarded are set out in the Audit Committee Report on page 75. Audit-related assurance services relate to the interim review. No services were provided pursuant to contingent fee arrangements.

Notes to the consolidated financial statements continued

9 Employees and Directors

£ millions	2022/23	2021/22
Wages and salaries	**1,628**	1,667
Social security costs	**295**	298
Post-employment benefits		
Defined contribution	**47**	43
Defined benefit (service cost)	**13**	14
Share-based compensation	**19**	27
Employee benefit expenses	**2,002**	2,049

Number thousands	2022/23	2021/22
Stores	**73**	76
Administration	**7**	6
Average number of persons employed	**80**	82

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

Remuneration of key management personnel

£ millions	2022/23	2021/22
Short-term employee benefits	**9.1**	10.0
Post-employment benefits	**1.0**	0.6
Termination benefits	**0.8**	–
Share-based compensation	**4.3**	9.8
	15.2	20.4

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

Further detail with respect to the Directors' remuneration is set out in the Directors' Remuneration Report on pages 77 to 100. Other than as set out in the Directors' Remuneration Report, there have been no transactions with key management during the year (2021/22: £nil).

10 Income tax expense

£ millions	2022/23	2021/22
UK corporation tax		
Current tax on profits for the year	**(44)**	(80)
Adjustments in respect of prior years	**3**	2
	(41)	(78)
Overseas tax		
Current tax on profits for the year	**(77)**	(87)
Adjustments in respect of prior years	**4**	31
	(73)	(56)
Current tax	**(114)**	(134)
Deferred tax		
Current year	**(25)**	(56)
Adjustments in respect of prior years	**(3)**	1
Adjustments in respect of changes in tax rates	**2**	25
Deferred tax	**(26)**	(30)
Income tax expense	**(140)**	(164)

Factors affecting tax charge for the year

The tax charge for the year differs from the standard rate of corporation tax in the UK of 19% (2021/22: 19%). The differences are explained below:

£ millions	2022/23	2021/22
Profit before taxation	**611**	1,007
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2021/22: 19%)	**(116)**	(191)
Net expense not deductible for tax purposes	**(18)**	(8)
Temporary differences:		
Losses not recognised	**(6)**	(3)
Foreign tax rate differences	**(6)**	(21)
Adjustments in respect of prior years	**4**	34
Adjustments in respect of changes in tax rates	**2**	25
Income tax expense	**(140)**	(164)

The adjusted effective tax rate on profit before adjusting items is 22% (2021/22: 22%). The effective tax rate calculation is set out in the Financial Review on page 41.

The overall tax rate for the year is 23% (2021/22: 16%). This predominately reflects the blend of tax rates and profits in the Group's various jurisdictions, the applicable tax treatment of adjusting items and losses made by companies which have not been recognised for deferred tax. This has been partially offset by a release of prior year provisions which reflect a reassessment of expected outcomes, agreed positions with tax authorities and items that have time expired. Net expense not deductible for tax purposes does not include any significant values that have been netted off.

In addition to the amounts charged to the income statement, tax of £110m has been credited directly to equity (2021/22: £21m charge) of which a £3m credit (2021/22: £4m credit) is included in current tax and a £107m credit (2021/22: £25m charge) is included in deferred tax. This principally relates to post-employment benefits.

During the year, a payment of €40m (£34m) was made to the French tax authorities relating to a historic tax liability. This amount was fully provided for at the prior year end.

Changes in tax rates

The UK Government announced on 3 March 2021 the intention to increase the corporation tax rate from 19% to 25% with effect from 1 April 2023, which was substantively enacted on 24 May 2021. This increase in rate had the effect of reducing the net deferred tax liability as reported by £25m and was reflected in the prior year financial statements.

French legislation has progressively reduced the applicable corporate tax rate in France for large companies to 25.83% by 2022/23, which is reflected in these financial statements (2021/22: 28.41%). There were no significant changes to tax rates announced in the year relating to the other overseas territories in which the Group operates.

11 Earnings per share

Pence	2022/23	2021/22
Basic earnings per share	**23.8**	40.3
Effect of dilutive share options per share	**(0.3)**	(0.5)
Diluted earnings per share	**23.5**	39.8
Basic earnings per share	**23.8**	40.3
Adjusting items before tax per share	**7.4**	(2.8)
Prior year and other adjusting tax items per share	**(1.5)**	(2.3)
Adjusted basic earnings per share	**29.7**	35.2
Diluted earnings per share	**23.5**	39.8
Adjusting items before tax per share	**7.3**	(2.7)
Prior year and other adjusting tax items per share	**(1.4)**	(2.3)
Adjusted diluted earnings per share	**29.4**	34.8

Notes to the consolidated financial statements continued

11 Earnings per share continued

Basic earnings per share is calculated by dividing the profit for the year attributable to equity shareholders of the Company by the weighted average number of shares in issue during the year, excluding those held in the Employee Share Ownership Plan trust ('ESOP trust') which for the purpose of this calculation are treated as cancelled.

For diluted earnings per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where both the exercise price is less than the average market price of the Company's shares during the year and any related performance conditions have been met.

The calculation of basic and diluted earnings per share is based on the profit for the year attributable to equity shareholders of the Company. A reconciliation of statutory earnings to adjusted earnings is set out below:

£ millions	**2022/23**	2021/22
Earnings	**471**	843
Adjusting items before tax	**147**	(58)
Prior year and other adjusting tax items	**(29)**	(48)
Adjusted earnings	**589**	737

The weighted average number of shares in issue during the year, excluding those held in the Employee Share Ownership Plan Trust ('ESOP trust'), is set out below:

Weighted average number of shares (millions)	**2022/23**	2021/22
Basic	**1,980**	2,092
Diluted	**2,002**	2,116

12 Dividends

£ millions	**2022/23**	2021/22
Dividends paid to equity shareholders of the Company		
Ordinary interim dividend for the year ended 31 January 2023 of 3.80p per share (year ended 31 January 2022: 3.80p per share)	**74**	80
Ordinary final dividend for the year ended 31 January 2022 of 8.60p per share (year ended 31 January 2021: 5.50p per share)	**172**	116
Ordinary interim dividend for the year ended 31 January 2021 of 2.75p per share	**–**	58
	246	254

The proposed dividend for the year ended 31 January 2023, subject to approval by shareholders at the Annual General Meeting, is 12.40p per share, comprising an interim dividend of 3.80p in respect of the six months ended 31 July 2022 and a final dividend of 8.60p.

13 Goodwill

£ millions	
Cost	
At 1 February 2022	**2,457**
Exchange differences	**–**
At 31 January 2023	**2,457**
Impairment	
At 1 February 2022	**(33)**
Charge for the year	**(16)**
At 31 January 2023	**(49)**
Net carrying amount	
At 31 January 2023	**2,408**
Cost	
At 1 February 2021	2,460
Exchange differences	(3)
At 31 January 2022	2,457
Impairment	
At 1 February 2021	(33)
At 31 January 2022	(33)
Net carrying amount	
At 31 January 2022	2,424

An impairment charge of £16m has been recorded in the year (2021/22: £nil) relating to the Romania business, which forms part of the 'Other International' operating segment. This has arisen due to a significant increase in the discount rate and revised financial projections.

Impairment tests for goodwill

Goodwill has been allocated for impairment testing purposes to groups of cash generating units ('CGUs') as follows:

£ millions	UK	France	Poland	Romania	NeedHelp	Total
At 31 January 2023						
Cost	**1,796**	**523**	**81**	**49**	**8**	**2,457**
Impairment	**–**	**–**	**–**	**(49)**	**–**	**(49)**
Net carrying amount	**1,796**	**523**	**81**	**–**	**8**	**2,408**
At 31 January 2022						
Cost	1,796	523	81	49	8	2,457
Impairment	–	–	–	(33)	–	(33)
Net carrying amount	1,796	523	81	16	8	2,424

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

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

Notes to the consolidated financial statements continued

13 Goodwill continued

Assumptions

The cash flow projections are based on approved strategic plans covering a three-year period. These are based on both past performance and expectations for future market development. The projections reflect the expected benefits from certain strategic initiatives, including an increased offer, an improved digital journey and improved operational efficiency. As required under IFRS, cash flows related to uncommitted future restructurings and enhancement capital expenditure are excluded from the projections for impairment testing purposes. For further details, refer to the Strategic Report on pages 1 to 61.

Key drivers in the strategic plans are sales growth, margin and operating profit percentages. Sales projections take into consideration both external factors such as market expectations, and internal factors such as execution on our strategy. They assume sales increases in each country that are driven by an enlarged offer, an improved digital journey and local trading initiatives, supported by structural changes in the growth of the home improvement market. Assumed gross margin percentages benefit from increased sales of the Group's higher margin own exclusive brands (OEB), vendor negotiations and operational leverage from increased sales on logistics and distribution costs. Assumed operating profit percentages reflect better utilisation of fixed costs as well as cost savings through operational efficiencies, including a more efficient organisation and leveraging our goods-not-for-resale spend.

Cash flows beyond the period of the strategic plans are calculated using a growth rate which does not exceed the long-term average growth rate for the countries in which the Group's CGUs operate.

The Board has reviewed a sensitivity analysis and does not consider that a reasonably possible change in the assumptions used in the value-in-use calculations would cause the carrying amounts of the UK, France and Poland CGUs to exceed their recoverable amounts.

The pre-tax discount rates are derived from the Group's weighted average cost of capital, taking into account the cost of equity and debt, to which specific market-related premium adjustments are made for each country in which the CGU operates.

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

	2022/23			2021/22		
Annual % rate	**UK**	**France**	**Poland**	UK	France	Poland
Pre-tax discount rate	**11.7**	**11.3**	**12.5**	9.2	8.9	10.6
Post-tax discount rate	**9.3**	**9.0**	**10.8**	7.6	7.3	9.3
Long-term growth rate	**2.0**	**2.3**	**3.5**	2.7	2.3	3.7

14 Other intangible assets

£ millions	Computer software	Other	Total
Cost			
At 1 February 2022	**836**	**14**	**850**
Additions	**127**	**–**	**127**
Disposals	**(78)**	**–**	**(78)**
Exchange differences	**3**	**2**	**5**
At 31 January 2023	**888**	**16**	**904**
Amortisation			
At 1 February 2022	**(511)**	**(9)**	**(520)**
Charge for the year	**(84)**	**–**	**(84)**
Impairment losses	**–**	**(3)**	**(3)**
Disposals	**78**	**–**	**78**
Exchange differences	**(3)**	**(1)**	**(4)**
At 31 January 2023	**(520)**	**(13)**	**(533)**
Net carrying amount			
At 31 January 2023	**368**	**3**	**371**
Cost			
At 1 February 2021	767	16	783
Additions	95	–	95
Disposals	(22)	(2)	(24)
Exchange differences	(4)	–	(4)
At 31 January 2022	836	14	850
Amortisation			
At 1 February 2021	(452)	(11)	(463)
Charge for the year	(81)	(1)	(82)
Impairment losses	(2)	–	(2)
Disposals	22	2	24
Exchange differences	2	1	3
At 31 January 2022	(511)	(9)	(520)
Net carrying amount			
At 31 January 2022	325	5	330

Additions in the current and prior year primarily related to the development of IT infrastructure for the benefit of the Group. This included expenditure related to the continued roll-out of a common IT platform, which is amortised over its estimated useful life of 10 years as it becomes available for use in the operating companies.

Computer software cost includes £418m (2021/22: £436m) of internally generated development costs with a £202m (2021/22: £206m) net carrying amount. None of the Group's other intangible assets have indefinite useful lives.

Notes to the consolidated financial statements continued

15 Property, plant and equipment

£ millions	Land and buildings	Fixtures, fittings and equipment	Total
Cost			
At 1 February 2022	**2,596**	**3,186**	**5,782**
Additions	**45**	**280**	**325**
Disposals	**(2)**	**(40)**	**(42)**
Exchange differences	**98**	**60**	**158**
At 31 January 2023	**2,737**	**3,486**	**6,223**
Depreciation			
At 1 February 2022	**(473)**	**(2,231)**	**(2,704)**
Charge for the year	**(35)**	**(164)**	**(199)**
Impairment reversals	**5**	**–**	**5**
Impairment losses	**(67)**	**(33)**	**(100)**
Disposals	**1**	**39**	**40**
Exchange differences	**(21)**	**(39)**	**(60)**
At 31 January 2023	**(590)**	**(2,428)**	**(3,018)**
Net carrying amount			
At 31 January 2023	**2,147**	**1,058**	**3,205**
Cost			
At 1 February 2021	2,699	3,041	5,740
Additions	55	262	317
Disposals	(2)	(43)	(45)
Reclassified to investment property	(12)	(2)	(14)
Transfers to assets held for sale	(18)	–	(18)
Exchange differences	(126)	(72)	(198)
At 31 January 2022	2,596	3,186	5,782
Depreciation			
At 1 February 2021	(496)	(2,169)	(2,665)
Charge for the year	(35)	(153)	(188)
Impairment reversals	34	11	45
Impairment losses	(18)	(6)	(24)
Disposals	2	41	43
Reclassified to investment property	1	–	1
Transfers to assets held for sale	16	–	16
Exchange differences	23	45	68
At 31 January 2022	(473)	(2,231)	(2,704)
Net carrying amount			
At 31 January 2022	2,123	955	3,078
Assets in the course of construction included above at net carrying amount			
At 31 January 2023	**24**	**195**	**219**
At 31 January 2022	17	176	193

Net impairment charges of £95m have been recorded in the year (2021/22: £21m net reversals). Current year impairment charges principally relate to store property and equipment assets in the UK and France, resulting from increased discount rates and revised financial projections. The net store impairment charges of £95m have been recorded as adjusting items.

Total capitalised borrowing costs included within property, plant and equipment, net of depreciation, is £16m (2021/22: £16m).

The Group does not revalue properties within its financial statements. A formal valuation of the portfolio was undertaken by external professional valuers in October 2022, with the valuations then updated to 31 January 2023. Based on this exercise the value of property is £2.8bn (2021/22: £2.7bn) on a sale and leaseback basis with Kingfisher in occupancy. The key assumption used in calculating this is the estimated yields. Property, plant and equipment market valuations are considered to have been determined by level 3 inputs as defined by the fair value hierarchy of IFRS 13, 'Fair value measurement'. A vacant possession valuation basis is used to approximate the fair value less costs to sell when reviewing for impairment.

Fixtures, fittings and equipment includes items such as store racking, computers and electronic equipment, motor cars and commercial vehicles.

16 Investment property

£ millions	
Cost	
At 1 February 2022	**39**
Reclassified from assets held for sale	**2**
At 31 January 2023	**41**
Depreciation	
At 1 February 2022	**(6)**
Impairment losses	**(5)**
At 31 January 2023	**(11)**
Net carrying amount	
At 31 January 2023	**30**
Cost	
At 1 February 2021	25
Reclassified from property, plant and equipment	14
At 31 January 2022	39
Depreciation	
At 1 February 2021	(5)
Reclassified from property, plant and equipment	(1)
At 31 January 2022	(6)
Net carrying amount	
At 31 January 2022	33

Notes to the consolidated financial statements continued

17 Leases

The Group is a lessee of various retail stores, offices, warehouses and plant and equipment under lease agreements with varying terms, escalation clauses and renewal rights. The Group is also a lessor and sub-lessor of space with freehold and leasehold properties respectively.

Right-of-use assets

£ millions	2022/23	2021/22
Land and buildings	1,873	1,806
Fixtures, fittings and equipment	74	79
Net carrying amount	**1,947**	1,885

Leased fixtures, fittings and equipment includes items such as mechanical handling equipment and vehicles.

£ millions	2022/23	2021/22
At beginning of year	**1,885**	1,845
Additions[1]	339	314
Depreciation charge for the year	(299)	(285)
Impairment reversals	5	17
Impairment losses	(41)	(5)
Other movements	34	32
Exchange differences	24	(33)
At end of year	**1,947**	1,885

1. Right-of-use asset additions include new leases, lease renewals and increases in term and/or scope for existing leases.

Net right-of-use asset impairment charges of £36m (2021/22: £12m net reversals) have been recorded resulting from increased discount rates and revised financial projections. The net store impairment charges of £36m have been recorded as adjusting items.

Amounts included in profit and loss

£ millions	2022/23	2021/22
Short term rentals	(65)	(43)
Sublease income	1	1
Depreciation of right-of-use assets		
Property leases	(262)	(246)
Equipment leases	(37)	(39)
Interest on lease liabilities		
Property leases	(120)	(131)
Equipment leases	(4)	(4)

Amounts recognised in the cash flow statement

£ millions	2022/23	2021/22
Interest element of lease rental payments		
Property leases	(120)	(131)
Equipment leases	(4)	(4)
Principal element of lease rental payments		
Property leases	(292)	(303)
Equipment leases	(37)	(38)
Total cash outflow for leases	**(453)**	(476)

Maturity analysis of operating lease receivables

Undiscounted total future minimum rentals receivable under non-cancellable operating leases are as follows:

£ millions	2022/23	2021/22
Year 1	**4**	4
Year 2	**4**	3
Year 3	**3**	3
Year 4	**3**	2
Year 5	**3**	2
Year 6 and onwards	**16**	11
	33	25

Maturity analysis of finance lease receivables

The following table reconciles the undiscounted sublease rentals receivable under non-cancellable finance leases to the present value of sublease receivables as disclosed as part of trade and other receivables (note 20):

£ millions	2022/23	2021/22
Year 1	**4**	4
Year 2	**5**	5
Year 3	**3**	5
Year 4	**2**	3
Year 5	**1**	2
Year 6 and onwards	**1**	2
Total undiscounted sublease receipts receivable	**16**	21
Unearned finance income	**(3)**	(4)
Sublease receivables	**13**	17

Other lease disclosures

The maturity analysis of lease liabilities has been reflected in note 25 Financial risk management.

Lease arrangements under which rental payments are contingent upon sales, other performance or usage are not significant for the Group.

There are no corporate restrictions imposed by lease arrangements such as those concerning dividends, additional debt and further leasing.

Sale and leaseback transactions

No sale and leaseback transactions were entered into in the current or prior year.

Notes to the consolidated financial statements continued

18 Investments in joint ventures and associates

£ millions	**2022/23**
At 1 February 2022	**17**
Share of post-tax results	**5**
Dividends	**(3)**
Exchange differences	**11**
At 31 January 2023	**30**

£ millions	2021/22
At 1 February 2021	20
Share of post-tax results	5
Dividends	(1)
Exchange differences	(7)
At 31 January 2022	17

No goodwill is included in the carrying amount of investments in joint ventures and associates (2021/22: £nil).

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

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

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

Aggregate amounts relating to joint ventures and associates:

			2022/23			2021/22
£ millions	**Joint ventures**	**Associates**	**Total**	Joint ventures	Associates	Total
Non-current assets	**24**	**2**	**26**	8	2	10
Current assets	**48**	**43**	**91**	29	42	71
Current liabilities	**(46)**	**(35)**	**(81)**	(28)	(35)	(63)
Non-current liabilities	**(5)**	**(1)**	**(6)**	–	(1)	(1)
Share of net assets	**21**	**9**	**30**	9	8	17
Sales	**143**	**3**	**146**	110	3	113
Operating expenses	**(135)**	**(2)**	**(137)**	(103)	(3)	(106)
Operating profit	**8**	**1**	**9**	7	–	7
Net finance costs	**–**	**–**	**–**	(2)	–	(2)
Profit before taxation	**8**	**1**	**9**	5	–	5
Income tax expense	**(4)**	**–**	**(4)**	–	–	–
Share of post-tax results	**4**	**1**	**5**	5	–	5

Following the International Monetary Fund's classification of Turkey as a hyperinflationary economy during the year, the IASB prescribed the application of IAS 29 – Financial reporting in hyper-inflationary economies for entities with the currency of Turkey as their functional currency. IAS 29 requires affected entities to state their financial statements in terms of the purchasing power at the end of the reporting period. The Group's Turkish joint venture, Koctas, has prepared its financial statements under IAS 29. Note, IAS 29 does not require the restatement of prior year comparative figures in the consolidated financial statements. For 2022/23, the application of IAS 29 has resulted in a £9m increase in the Group's investment in the joint venture, a £4m charge to the consolidated income statement and a £13m credit to Other Comprehensive Income.

19 Inventories

£ millions	2022/23	2021/22
Finished goods for resale	**3,070**	2,749

The cost of inventories recognised as an expense and included in cost of sales for the year ended 31 January 2023 is £7,437m (2021/22: £7,401m).

20 Trade and other receivables

£ millions	2022/23	2021/22
Non-current		
Prepayments	**9**	8
Sublease receivables	**10**	14
	19	22
Current		
Trade receivables	**89**	71
Allowance for expected credit losses	**(8)**	(7)
Net trade receivables	**81**	64
Property receivables	**5**	3
Sublease receivables	**3**	3
Merchandise returns asset	**11**	11
Prepayments	**64**	67
Rebates due from suppliers	**143**	114
Business disposal consideration receivable	**–**	8
Other receivables	**40**	30
	347	300
Trade and other receivables	**366**	322

The fair values of trade and other receivables approximate to their carrying amounts. Refer to note 25 for further information on the credit risk associated with trade and other receivables.

Other receivables include items related to other taxation and social security.

21 Cash and cash equivalents

£ millions	2022/23	2021/22
Cash at bank and in hand	**259**	441
Cash equivalents	**27**	382
Cash and cash equivalents	**286**	823

Included in cash and cash equivalents is restricted cash of £51m (2021/22: £38m) relating to cash held by the Group's captive insurance company and in virtual captive arrangements.

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

Notes to the consolidated financial statements continued

22 Trade and other payables

£ millions	2022/23	2021/22
Current		
Trade payables	**1,291**	1,352
Other taxation and social security	**238**	246
Deferred income	**179**	178
Contract to purchase own shares for cancellation	**7**	69
Liability to purchase own shares for ESOP trust	**–**	9
Merchandise returns provision	**21**	20
Payroll creditors and accruals	**199**	253
Accruals and other payables	**548**	547
	2,483	2,674
Non-current		
Accruals and other payables	**4**	10
Trade and other payables	**2,487**	2,684

The fair values of trade and other payables approximate to their carrying amounts.

Included in trade payables are amounts at 31 January 2023 of £146m (2021/22: £193m) due under supply chain finance arrangements with third party banks. Suppliers choose to enter into these arrangements, which provide them with the option of access to earlier payment at favourable interest rates from the third party banks based on Kingfisher's investment grade credit rating. If suppliers do not choose early payment under these arrangements, their invoices are settled by the third party banks in accordance with the originally agreed payment terms. Under certain of these arrangements, Kingfisher has agreed extended payment terms. The total amount outstanding on such extended payment terms at 31 January 2023 is £15m (2021/22: £14m). These arrangements do not provide the Group with a significant benefit of additional financing and accordingly are classified as trade payables.

The contract to purchase own shares relates to a liability arising under an irrevocable buyback agreement which was in place at the balance sheet date (see note 29).

Accruals and other payables include items related to goods not for resale, property, capital expenditure, insurance and interest.

23 Borrowings

£ millions	2022/23	2021/22
Current		
Bank overdrafts	**16**	14
	16	14
Non-current		
Bank loans	**3**	2
Fixed term debt	**99**	–
	102	2
Borrowings	**118**	16

Bank loans

Non-current bank loans have an average maturity of two years (2021/22: two years) and are arranged at fixed rates of interest with an effective interest rate of 1.8% (2021/22: 1.0%).

Fixed term debt

	Principal outstanding	Maturity date	Coupon	Effective interest rate	**2022/23** Carrying amount £m	2021/22 Carrying amount £m
GBP Term Loan	£50m	23/12/24[1]	SONIA + 0.70%	4.1%	**50**	–
GBP Term Loan	£50m	17/01/25[1]	SONIA + 0.75%	4.2%	**49**	–
					99	–

1. During the year the Group entered into two new £50m bilateral term loans with a maturity tenor of two years. Both loans were fully drawn at 31 January 2023.

As at 31 January 2023, the Group had an undrawn revolving credit facility (RCF) of £550m due to expire in May 2025.

The terms of the committed RCF and term loans require that the ratio of Group operating profit (excluding adjusting items) to net interest payable (excluding interest on IFRS 16 lease liabilities) must be no less than 3:1 for the preceding 12 months as at the half and full year-ends. At 31 January 2023, Kingfisher was in compliance with this requirement.

Fair values

£ millions	Fair value **2022/23**	Fair value 2021/22
Bank overdrafts	**16**	14
Bank loans	**3**	3
Fixed term debt	**102**	–
Borrowings	**121**	17

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

24 Derivatives

£ millions	**2022/23**	2021/22
Current assets	**16**	37
Non-current assets	**–**	1
Current liabilities	**(47)**	(12)
Non-current liabilities	**(5)**	(1)
	(36)	25

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

£ millions	**2022/23**	2021/22
Cash flow hedges	**(36)**	28
Non-designated hedges	**–**	(3)
	(36)	25

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

£ millions	**2022/23**	2021/22
Foreign exchange contracts	**16**	38
Derivative assets	**16**	38
Foreign exchange contracts	**(52)**	(13)
Derivative liabilities	**(52)**	(13)
	(36)	25

The fair values are calculated by discounting future cash flows arising from the instruments and adjusted for credit risk. These fair value measurements are all made using observable market rates of interest, foreign exchange and credit risk.

Notes to the consolidated financial statements continued

24 Derivatives continued

All the derivatives held by the Group at fair value are considered to have fair values determined by level 2 inputs as defined by the fair value hierarchy of IFRS 13, 'Fair value measurement', representing significant observable inputs other than quoted prices in active markets for identical assets or liabilities. There are no non-recurring fair value measurements nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy.

At 31 January 2023, net financing derivative assets included in net debt amount to £2m (2021/22: £3m liability).

Cash flow hedges

Forward foreign exchange contracts hedge currency exposures of forecast inventory purchases. At 31 January 2023 the Sterling equivalent amount of such contracts is £1,276m (2021/22: £1,236m). These are located in the derivative asset and derivative liability lines in the consolidated balance sheet with carrying amounts of £16m asset and £52m liability. The associated fair value gains and losses will be transferred to inventories when the purchases occur during the next 18 months. The amount recognised in other comprehensive income during the year is a gain of £58m (2021/22: £59m gain). Gains of £117m (2021/22: £16m loss) have been transferred to inventories for contracts which matured during the year. During the year, gains of £5m (2021/22: £nil) have been transferred to the income statement due to ineffectiveness arising from differences in timing and amount of forecast transactions relating to foreign currency inventory purchases. The weighted average hedged rates for derivatives outstanding at 31 January 2023 for our material currencies are EUR/USD 1.07 and GBP/USD 1.22.

Hedge effectiveness is assessed at the inception of the hedge relationship and on an ongoing basis to ensure that an economic relationship exists between the hedged item and the hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group performs a qualitative and, where necessary, a quantitative assessment of effectiveness.

For foreign currency inventory purchases, ineffectiveness may arise if the timing or amount of the forecast transaction changes from what was originally estimated or if there are changes in the credit risk of the Group or the derivative counterparty. Foreign currency basis spread of the derivative has been excluded from the hedge designation. The non-designated element is immediately recognised in the income statement. The amount is immaterial in both years.

Non-designated hedges

The Group has entered into certain derivatives to provide a hedge against fluctuations in the income statement arising from balance sheet positions. At 31 January 2023, the Sterling equivalent amount of such contracts is £481m (2021/22: £852m). These have not been accounted for as hedges, since the fair value movements of the derivatives in the income statement offset the retranslation of the balance sheet positions. These include short-term foreign exchange contracts.

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

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

Offsetting of derivative assets and liabilities:

£ millions	Gross amounts of recognised derivatives	Gross amounts offset in the consolidated balance sheet	Net amounts of derivatives presented in the consolidated balance sheet	Gross amounts of derivatives not offset in the consolidated balance sheet	Net amount
At 31 January 2023					
Derivative assets	**16**	**–**	**16**	**(16)**	**–**
Derivative liabilities	**(52)**	**–**	**(52)**	**16**	**(36)**
At 31 January 2022					
Derivative assets	38	–	38	(13)	25
Derivative liabilities	(13)	–	(13)	13	–

Net investment hedges

Foreign currency denominated lease liabilities recognised on the adoption of IFRS 16 are designated as hedging the exposure to movements in the spot retranslation of the Group's investment in foreign subsidiaries. The gains and losses on retranslation of the hedging instruments are presented in the translation reserve within other reserves to offset gains and losses on the hedged balance sheet exposure. The nominal values of these lease liabilities is £197m (2021/22: £166m). The amount recognised in the translation reserve is a loss of £3m (2021/22: £1m loss). There is no ineffectiveness for 2022/23. The cumulative total amount recognised in the translation reserve in relation to net investment hedges is a loss of £112m (2021/22: £109m).

25 Financial risk management

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

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

Interest rate risk

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

Currency risk

The Group's principal currency exposures are to the Euro, US Dollar, Polish Zloty and Romanian Leu. The Euro, Polish Zloty and Romanian Leu exposures are operational and arise through the ownership of retail businesses in France, Spain, Portugal, the Republic of Ireland, Poland and Romania.

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

It is the Group's policy not to hedge the translation of overseas earnings into Sterling. In addition, the Group has significant transactional exposure arising on the purchase of inventories denominated in US Dollars, which it hedges using forward foreign exchange contracts. Under Group policies, the Group's operating companies are required to hedge committed inventory purchases and a proportion of forecast inventory purchases arising in the next 18 months. This is monitored on an ongoing basis.

The Group also has exposure to certain leases denominated in currencies which are different from the functional (reporting) currencies of the lessee. To reduce the Group's exposure to this, most of the affected lease liabilities have been designated as net investment hedges of Group assets held in the same currency.

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

									2022/23
	Sterling		Euro		US Dollar		Other		
£ millions	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Total
At 31 January 2023									
Net cash/(debt) before financing derivatives and lease liabilities	**–**	**9**	**(2)**	**105**	**–**	**28**	**–**	**28**	**168**
Financing derivatives	**–**	**(425)**	**–**	**39**	**–**	**326**	**–**	**62**	**2**
Lease liabilities	**(1,821)**	**–**	**(582)**	**–**	**–**	**–**	**(41)**	**–**	**(2,444)**
Net (debt)/cash	**(1,821)**	**(416)**	**(584)**	**144**	**–**	**354**	**(41)**	**90**	**(2,274)**

									2021/22
	Sterling		Euro		US Dollar		Other		
£ millions	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Total
At 31 January 2022									
Net cash/(debt) before financing derivatives and lease liabilities	–	142	(2)	179	–	429	–	59	807
Financing derivatives	–	(539)	–	372	–	136	–	28	(3)
Lease liabilities	(1,792)	–	(548)	–	–	–	(36)	–	(2,376)
Net (debt)/cash	(1,792)	(397)	(550)	551	–	565	(36)	87	(1,572)

Notes to the consolidated financial statements continued

25 Financial risk management continued

Financial instruments principally affected by interest rate and currency risks, being the significant market risks impacting Kingfisher, are borrowings, deposits and derivatives. The following analysis illustrates the sensitivity of net finance costs (reflecting the impact on profit) and derivative cash flow hedges (reflecting the impact on other comprehensive income) to changes in interest rates and foreign exchange rates.

£ millions	**2022/23** Net finance costs income/(costs)	2021/22 Net finance costs income/(costs)
Effect of 1% rise in interest rates on net finance costs		
Sterling	**(4)**	(4)
Euro	**1**	6
US Dollar	**4**	6
Other	**1**	1

Due to the Group's hedging arrangements and offsetting foreign currency assets and liabilities, there is no significant impact on profit from the retranslation of financial instruments.

£ millions	**2022/23** Derivative cash flow hedges increase	2021/22 Derivative cash flow hedges increase
Effect of 10% appreciation in foreign exchange rates on derivative cash flow hedges		
US Dollar against Sterling	**50**	59
US Dollar against Euro	**36**	36
US Dollar against other	**20**	16

The impact of changes in foreign exchange rates on cash flow hedges results from retranslation of forward purchases of US Dollars used to hedge forecast US Dollar purchases of inventories. The associated fair value gains and losses are deferred in equity until the purchases occur. See note 24 for further details.

The sensitivity analysis excludes the impact of movements in market variables on the carrying amount of trade and other payables and receivables, due to the low associated sensitivity, and are before the effect of tax. It has been prepared on the basis that the Group's debt, hedging activities, hedge accounting designations, and foreign currency proportion of debt and derivative contracts remain constant, reflecting the positions at 31 January 2023 and 31 January 2022 respectively. As a consequence, the analysis relates to the position at those dates and is not necessarily representative of the years then ended. In preparing the sensitivity analysis it is assumed that all hedges are fully effective.

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

Liquidity risk

The Group regularly reviews the level of cash and debt facilities required to fund its activities. This involves preparing a prudent cash flow forecast for the medium term, determining the level of debt facilities required to fund the business, planning for repayment of debt at its maturity and identifying an appropriate amount of headroom to provide a reserve against unexpected outflows and/or unexpected impacts to cash inflows.

At 31 January 2023, the Group had an undrawn revolving credit facility of £550m due to expire in May 2025.

The following table analyses the Group's financial liabilities and derivatives into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest) and as such may differ from the amounts disclosed on the balance sheet.

								2022/23
£ millions	**On demand**	**Less than 1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**More than 5 years**	**Total**
At 31 January 2023								
Bank overdrafts	**(16)**	**–**	**–**	**–**	**–**	**–**	**–**	**(16)**
Trade and other payables[1]	**–**	**(1,846)**	**(4)**	**–**	**–**	**–**	**–**	**(1,850)**
Bank loans and fixed term debt	**–**	**(5)**	**(105)**	**–**	**–**	**–**	**–**	**(110)**
Lease liabilities	**–**	**(456)**	**(439)**	**(399)**	**(353)**	**(300)**	**(1,241)**	**(3,188)**
Derivative financial liabilities:								
Derivative contracts – receipts	**–**	**996**	**100**	**–**	**–**	**–**	**–**	**1,096**
Derivative contracts – payments	**–**	**(1,043)**	**(107)**	**–**	**–**	**–**	**–**	**(1,150)**
Derivative financial assets:								
Derivative contracts – receipts	**–**	**658**	**3**	**–**	**–**	**–**	**–**	**661**
Derivative contracts – payments	**–**	**(643)**	**(3)**	**–**	**–**	**–**	**–**	**(646)**

								2021/22 (restated)[2]
£ millions	On demand	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
At 31 January 2022								
Bank overdrafts	(14)	–	–	–	–	–	–	(14)
Trade and other payables[1, 2]	–	(1,977)	(10)	–	–	–	–	(1,987)
Bank loans	–	(1)	(1)	(1)	–	–	–	(3)
Lease liabilities	–	(443)	(423)	(382)	(339)	(295)	(1,203)	(3,085)
Derivative financial liabilities:								
Derivative contracts – receipts	–	954	39	–	–	–	–	993
Derivative contracts – payments	–	(965)	(40)	–	–	–	–	(1,005)
Derivative financial assets:								
Derivative contracts – receipts	–	1,606	34	–	–	–	–	1,640
Derivative contracts – payments	–	(1,573)	(34)	–	–	–	–	(1,607)

1. Excluding non-financial items relating to deferred income and merchandise returns provisions and non-contractual items relating to other taxation and social security payables and payroll creditors and accruals.
2. Prior year amounts have been restated to exclude £253m of payroll creditors and accruals which were previously recorded within Trade and other payables due in less than 1 year.

Notes to the consolidated financial statements continued

25 Financial risk management continued

Credit risk

The Group manages credit risk from investing activities in accordance with treasury policy. The Group deposits surplus cash with a number of banks with strong long-term credit ratings (BBB and above) and with money market funds with AAA credit ratings offering same-day liquidity. An exposure limit for each counterparty is agreed by the Board covering the full value of deposits and the fair value of derivative assets. Credit risk is also managed by spreading investments and entering into derivative contracts across several counterparties. As of 31 January 2023 the highest total cash investment with a single counterparty was £7m (2021/22: £85m).

The Group applies the low credit risk simplification under IFRS 9 for expected credit losses relating to cash at bank, short-term deposits and money market funds. The resulting expected credit losses are not significant.

The Group's exposure to credit risk at the reporting date is the carrying value of trade and other receivables, cash at bank, short-term deposits and the fair value of derivative assets. Trade and other receivables mainly relate to trade receivables and rebates which comprise low individual balances with short maturity spread across a large number of unrelated customers and suppliers, resulting in low credit risk levels. They do not have a significant financing component and therefore the Group measures expected credit losses using lifetime expected losses.

The estimated lifetime expected losses are based on historical loss rates adjusted where necessary for expected changes in economic conditions.

At 31 January 2023, trade and other receivables that are past due amount to £47m (2021/22: £30m), of which £7m (2021/22: £3m) are over 120 days past due.

Capital risk

Capital risk management disclosures are provided in the Financial Review on page 45.

26 Deferred tax

£ millions	**2022/23**	2021/22
Deferred tax assets	**16**	10
Deferred tax liabilities	**(205)**	(276)
	(189)	(266)

Deferred tax assets and liabilities are offset against each other when they relate to income taxes levied by the same tax jurisdiction and when the Group intends, and has the legally enforceable right, to settle its current tax assets and liabilities on a net basis.

£ millions	Accelerated tax depreciation	Gains on property	Leases	Short term timing differences	Tax losses	Post-employment benefits	Investment in subsidiaries	Other	Total
									2022/23
At 1 February 2022	**(170)**	**(61)**	**127**	**42**	**1**	**(197)**	**(1)**	**(7)**	**(266)**
(Charge)/credit to income statement	**(38)**	**7**	**–**	**2**	**–**	**2**	**–**	**1**	**(26)**
Credit/(charge) to equity	**–**	**–**	**1**	**(1)**	**–**	**94**	**–**	**13**	**107**
Exchange differences	**(7)**	**(2)**	**2**	**1**	**–**	**2**	**–**	**–**	**(4)**
At 31 January 2023	**(215)**	**(56)**	**130**	**44**	**1**	**(99)**	**(1)**	**7**	**(189)**

£ millions	Accelerated tax depreciation	Gains on property	Leases	Short term timing differences	Tax losses	Post-employment benefits	Investment in subsidiaries	Other	Total
									2021/22
At 1 February 2021	(142)	(58)	111	49	1	(186)	(2)	10	(217)
(Charge)/credit to income statement	(37)	(5)	17	(8)	–	2	1	–	(30)
Credit/(charge) to equity	–	–	–	3	–	(11)	–	(17)	(25)
Exchange differences	9	2	(1)	(2)	–	(2)	–	–	6
At 31 January 2022	(170)	(61)	127	42	1	(197)	(1)	(7)	(266)

At the balance sheet date, the Group has unused trading tax losses of £215m (2021/22: £218m) available for offset against future profits. A deferred tax asset of £1m has been recognised in respect of such losses (2021/22: £1m). No deferred tax asset has been recognised in respect of the remaining £214m (2021/22: £217m) due to the unpredictability of future profit streams. Included in this amount there are tax losses arising in Romania of £141m (2021/22: £139m) which can only be carried forward for a maximum of seven years. Of these, £6m will expire in the next twelve months, £94m in the next two to five years, and £41m in the next six to seven years. Other unrecognised losses may be carried forward indefinitely.

At the balance sheet date, the Group also has unused capital tax losses of £10m (2021/22: £13m) available for offset against future capital gains. No deferred tax asset has been recognised in the year in respect of such losses (2021/22: £nil). All of these losses may be carried forward indefinitely.

A deferred tax liability of £1m (2021/22: £1m) has been recognised in the period, reflecting the withholding tax anticipated to arise in light of a planned repatriation of certain earnings that were generated in the current year. Except for this liability, all other unremitted earnings of overseas subsidiaries and joint ventures are continually reinvested by the Group. Therefore as no tax is expected to be payable on these earnings in the foreseeable future, no deferred tax liabilities are recorded in relation to them. Additional earnings which could be remitted on which there would be tax to pay total £235m (2021/22: £208m).

Notes to the consolidated financial statements continued

27 Provisions

£ millions	Onerous property contracts	Restructuring	Total
At 1 February 2022	**6**	**27**	**33**
Releases to income statement	**–**	**(3)**	**(3)**
Utilised in the year	**(2)**	**(8)**	**(10)**
At 31 January 2023	**4**	**16**	**20**
Current liabilities	3	7	10
Non-current liabilities	1	9	10
	4	16	20

Onerous property contracts exclude contracts related to restructuring programmes which are included in the restructuring provisions. The provisions are based on the present value of future cash outflows relating to rates and service charges. Rental obligations under onerous property contracts are included within lease liabilities.

Restructuring provisions include both the cost of people change and the cost to exit stores and property contracts.

Restructuring provisions predominately relate to costs in France to restructure the business as part of the Group's legacy transformation and store closure plans. Releases to the income statement in the current year of £3m are principally related to cost savings as compared with the original restructuring provisions recognised. The restructuring provision releases of £3m have been recorded as adjusting items in line with the original classification of the related provision charges.

The ultimate costs and timing of cash flows related to the above provisions are largely dependent on the timing of the related people costs.

28 Post-employment benefits

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

Defined contribution schemes

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

£ millions	**2022/23**	2021/22
Charge to operating profit	**47**	43

From July 2012, an enhanced defined contribution pension scheme was offered to all UK employees. Eligible UK employees have been automatically enrolled into the scheme since 31 March 2013.

Defined benefit schemes

The Group's principal defined benefit arrangement is its funded, final salary pension scheme in the UK. This scheme was closed to new entrants from April 2004 and was closed to future benefit accrual from July 2012.

The scheme operates under trust law and is managed and administered by the Trustee on behalf of members in accordance with the terms of the Trust Deed and Rules and relevant legislation. The Trustee Board consists of ten Trustee Directors, made up of five employer-appointed Directors, one independent Director and four member-nominated Directors. The Trustee Board delegates day-to-day administration of the scheme to the Group pensions department of Kingfisher plc.

The main risk to the Group is that additional contributions are required if investment returns and demographic experience are worse than expected. The scheme therefore exposes the Group to actuarial risks, such as longevity risk, currency risk, inflation risk, interest rate risk and market (investment) risk. The Trustee Board regularly reviews such risks and mitigating controls, with a risk register being formally approved on an annual basis. The assets of the scheme are held separately from the Group and the Trustee's investment strategy includes a planned medium-term de-risking of assets, switching from return-seeking to liability-matching assets. Other de-risking activities have included the scheme acquiring an interest in a property partnership, as set out further below, and entering into bulk annuities.

A full actuarial valuation of the scheme is carried out every three years by an independent actuary for the Trustee and the last full valuation was carried out as at 31 March 2022. Following this valuation and in accordance with the scheme's Statement of Funding Principles, the Trustee and Kingfisher have agreed to cease annual employer contributions during the period from August 2022 to July 2025. This agreement has been reached with reference to a funding objective that targets a longer-term, low risk funding position in excess of the minimum statutory funding requirements. This longer-term objective is based on the principle of the scheme reaching a point where it can provide benefits to members with a high level of security, thereby limiting its reliance on the employer for future support. The Company monitors the scheme funding level on a regular basis and will reassess with the scheme Trustee the appropriate level of contributions at future valuations.

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

Notes to the consolidated financial statements continued

28 Post-employment benefits continued

UK scheme interest in property partnership

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

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

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

Income statement

			2022/23			2021/22
£ millions	**UK**	**Overseas**	**Total**	UK	Overseas	Total
Amounts charged to operating profit						
Current service cost	**3**	**10**	**13**	3	11	14
Administration costs	**4**	**–**	**4**	3	–	3
	7	**10**	**17**	6	11	17
Amounts (credited)/charged to net finance costs						
Net interest (income)/expense	**(12)**	**1**	**(11)**	(8)	–	(8)
Total (credited)/charged to income statement	**(5)**	**11**	**6**	(2)	11	9

Of the net charge to operating profit, a £13m charge (2021/22: £14m charge) and £4m charge (2021/22: £3m charge) are included in selling and distribution expenses and administrative expenses respectively. Remeasurement gains and losses have been reported in the statement of comprehensive income.

Balance sheet

£ millions	UK	Overseas	2022/23 Total	UK	Overseas	2021/22 Total
Present value of defined benefit obligations	**(1,979)**	**(134)**	**(2,113)**	(2,934)	(150)	(3,084)
Fair value of scheme assets	**2,230**	**20**	**2,250**	3,474	20	3,494
Net surplus/(deficit) in schemes	**251**	**(114)**	**137**	540	(130)	410

Movements in the surplus or deficit are as follows:

£ millions	UK	Overseas	2022/23 Total	UK	Overseas	2021/22 Total
Net surplus/(deficit) in schemes at beginning of year	**540**	**(130)**	**410**	504	(145)	359
Current service cost	**(3)**	**(10)**	**(13)**	(3)	(11)	(14)
Administration costs	**(4)**	**–**	**(4)**	(3)	–	(3)
Net interest income/(expense)	**12**	**(1)**	**11**	8	–	8
Net remeasurement (losses)/gains	**(308)**	**30**	**(278)**	7	14	21
Contributions paid by employer	**14**	**4**	**18**	27	3	30
Exchange differences	**–**	**(7)**	**(7)**	–	9	9
Net surplus/(deficit) in schemes at end of year	**251**	**(114)**	**137**	540	(130)	410

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

£ millions	UK	Overseas	2022/23 Total	UK	Overseas	2021/22 Total
Present value of defined benefit obligations at beginning of year	**(2,934)**	**(150)**	**(3,084)**	(3,092)	(165)	(3,257)
Current service cost	**(3)**	**(10)**	**(13)**	(3)	(11)	(14)
Interest expense	**(63)**	**(1)**	**(64)**	(45)	–	(45)
Remeasurement gains – changes in financial assumptions	**1,003**	**32**	**1,035**	111	14	125
Remeasurement (losses)/gains – changes in demographic assumptions	**(41)**	**(3)**	**(44)**	2	–	2
Remeasurement (losses)/gains – experience adjustments	**(59)**	**1**	**(58)**	(39)	–	(39)
Benefits paid	**118**	**4**	**122**	132	3	135
Exchange differences	**–**	**(7)**	**(7)**	–	9	9
Present value of defined benefit obligations at end of year	**(1,979)**	**(134)**	**(2,113)**	(2,934)	(150)	(3,084)

The present value of UK scheme defined benefit obligations is 51% (2021/22: 62%) in respect of deferred members and 49% (2021/22: 38%) in respect of current pensioners.

The weighted average duration of the UK scheme obligations at the end of the year is 16 years (2021/22: 20 years).

Notes to the consolidated financial statements continued

28 Post-employment benefits continued

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

£ millions	2022/23 UK	2022/23 Overseas	2022/23 Total	2021/22 UK	2021/22 Overseas	2021/22 Total
Fair value of scheme assets at beginning of year	**3,474**	**20**	**3,494**	3,596	20	3,616
Administration costs	**(4)**	**–**	**(4)**	(3)	–	(3)
Interest income	**75**	**–**	**75**	53	–	53
Remeasurement losses – actual return less interest income	**(1,211)**	**–**	**(1,211)**	(67)	–	(67)
Contributions paid by employer	**14**	**4**	**18**	27	3	30
Benefits paid	**(118)**	**(4)**	**(122)**	(132)	(3)	(135)
Fair value of scheme assets at end of year	**2,230**	**20**	**2,250**	3,474	20	3,494

The fair value of scheme assets is analysed as follows:

£ millions	2022/23 UK	2022/23 Overseas	2022/23 Total	2022/23 % of total	2021/22 UK	2021/22 Overseas	2021/22 Total	2021/22 % of total
Government bonds[1]	**750**	**–**	**750**	**33%**	849	–	849	24%
Corporate bonds	**322**	**–**	**322**	**14%**	929	–	929	27%
Derivatives	**(16)**	**–**	**(16)**	**(1)%**	(27)	–	(27)	(1)%
Equities	**46**	**–**	**46**	**2%**	125	–	125	4%
Annuities	**842**	**–**	**842**	**38%**	1,181	–	1,181	34%
Cash and other	**286**	**20**	**306**	**14%**	417	20	437	12%
Total fair value of scheme assets	**2,230**	**20**	**2,250**	**100%**	3,474	20	3,494	100%

1. Including LDI repurchase agreement liabilities.

All UK scheme assets have quoted prices in active markets, except for £1,078m (2021/22: £1,262m) of annuity and other assets.

To reduce volatility risk a liability driven investment (LDI) strategy forms part of the Trustee's management of the UK defined benefit scheme's assets, including government bonds, corporate bonds and derivatives. The government bond assets category in the table above includes gross assets of £1.2bn (2021/22: £2.1bn) and associated repurchase agreement liabilities of £0.4bn (2021/22: £1.3bn). Repurchase agreements are entered into with counterparties to better offset the scheme's exposure to interest and inflation rates, whilst remaining invested in assets of a similar risk profile. Interest rate and inflation rate derivatives are also employed to complement the use of fixed and index-linked bonds in matching the profile of the scheme's liabilities.

Following an agreement with the Trustee as part of the 2022 triennial funding valuation, no contributions are expected to be paid to the UK and overseas pension schemes by the Group during the next financial year.

Principal actuarial valuation assumptions

The assumptions used in calculating the costs and obligations of the Group's defined benefit pension schemes are set by the Directors after consultation with independent professionally qualified actuaries. The assumptions are based on the conditions at the time and changes in these assumptions can lead to significant movements in the estimated obligations, as illustrated in the sensitivity analysis.

The UK scheme discount rate is derived using a single equivalent discount rate approach, based on the yields available on a portfolio of high-quality Sterling corporate bonds with the same duration as that of the scheme liabilities.

Annual % rate	2022/23 UK	2022/23 Overseas	2021/22 UK	2021/22 Overseas
Discount rate	**4.50**	**3.50**	2.20	0.80
Price inflation	**3.25**	**2.40**	3.50	2.00
Rate of pension increases	**3.15**	**–**	3.40	–
Salary escalation	**n/a**	**2.40**	n/a	2.40

For the UK scheme, the mortality assumptions used for IAS 19 purposes have been selected with regard to the characteristics and experience of the membership of the scheme as assessed from time to time relating to triennial funding valuations. The base mortality assumptions have been derived using an analysis of current mortality rates carried out by Club Vita for the Trustee and the CMI life expectancy projection model data published by the UK actuarial profession. The latter allowance is in line with CMI 2021 improvements subject to a long-term rate of 1.5% p.a. for both males and females. The assumptions for life expectancy of UK scheme members are as follows:

Years	**2022/23**	2021/22
Age to which current pensioners are expected to live (60 now)		
– Male	**86.2**	86.4
– Female	**88.7**	87.3
Age to which future pensioners are expected to live (60 in 15 years' time)		
– Male	**87.5**	87.5
– Female	**90.8**	90.2

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

Assumption	Change in assumption	Impact on defined benefit obligation
Discount rate	Increase/decrease by 1.0%	Decrease/increase by £320m
Price inflation	Increase/decrease by 0.5%	Increase/decrease by £134m
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £127m
Mortality	Increase/decrease in life expectancy by one year	Increase/decrease by £74m

In consideration of the recent volatility in discount rates, note that a 2.0% increase/decrease in the discount rate assumption would result in a decrease/increase in the defined benefit obligation of approximately £770m. Due to the asset-liability matching investment strategy, the above impacts on the obligations of changes in discount rate and price inflation would be significantly offset by movements in the fair value of the scheme assets.

29 Share capital

	Number of ordinary shares millions	Ordinary share capital £ millions
Allotted, called up and fully paid:		
At 1 February 2022	**2,066**	325
New shares issued under share schemes	**5**	1
Purchase of own shares for cancellation	**(131)**	(21)
At 31 January 2023	**1,940**	305
At 1 February 2021	**2,111**	332
New shares issued under share schemes	**2**	–
Purchase of own shares for cancellation	**(47)**	(7)
At 31 January 2022	**2,066**	325

Ordinary shares have a par value of $15^{5/7}$ pence per share and carry full voting, dividend and capital distribution rights.

During the year the Group purchased 131 million of the Company's own shares for cancellation at a cost of £337m as part of its capital returns programme.

Notes to the consolidated financial statements continued

30 Other reserves

£ millions	Translation reserve	Cash flow hedge reserve	Other	Total 2022/23
At 1 February 2022	**10**	**27**	**159**	**196**
Inventory cash flow hedges – fair value gains	**–**	**58**	**–**	**58**
Inventory cash flow hedges – gains transferred to income statement	**–**	**(5)**	**–**	**(5)**
Tax on items that will not be reclassified subsequently to profit or loss	**–**	**(12)**	**–**	**(12)**
Currency translation differences				
Group	**129**	**–**	**–**	**129**
Joint ventures and associates	**11**	**–**	**–**	**11**
Other comprehensive income for the year	**140**	**41**	**–**	**181**
Inventory cash flow hedges – gains transferred to inventories	**–**	**(117)**	**–**	**(117)**
Tax on equity items	**–**	**25**	**–**	**25**
At 31 January 2023	**150**	**(24)**	**159**	**285**

£ millions	Translation reserve	Cash flow hedge reserve	Other	Total 2021/22
At 1 February 2021	234	(32)	159	361
Inventory cash flow hedges – fair value gains	–	59	–	59
Tax on items that will not be reclassified subsequently to profit or loss	–	(13)	–	(13)
Currency translation differences				
Group	(218)	–	–	(218)
Joint ventures and associates	(7)	–	–	(7)
Other cash flow hedges				
Fair value gains	–	1	–	1
Gains transferred to income statement	–	(1)	–	(1)
Other comprehensive (loss)/income for the year	(225)	46	–	(179)
Inventory cash flow hedges – losses transferred to inventories	–	16	–	16
Tax on equity items	1	(3)	–	(2)
At 31 January 2022	10	27	159	196

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

31 Share-based payments

	2022/23 Number of options thousands	**2022/23** Weighted average exercise price £	2021/22 Number of options thousands	2021/22 Weighted average exercise price £
Outstanding at beginning of year	**50,503**	**0.62**	53,298	0.55
Granted during the year[1]	**24,133**	**0.55**	11,561	0.88
Forfeited and expired during the year	**(3,445)**	**1.59**	(6,854)	0.35
Exercised during the year	**(12,245)**	**0.68**	(7,502)	0.74
Outstanding at end of year	**58,946**	**0.52**	50,503	0.62
Exercisable at end of year	**5,976**	**0.45**	4,155	0.52

1. The weighted average exercise price for options granted during the year represents a blend of nil price Performance Share Plan and Alignment Share awards, and discounted Sharesave options (see below)

Information on the share schemes is given in note 12 of the Company's separate financial statements.

Options have been exercised on a regular basis throughout the year. On that basis, the weighted average share price during the year, rather than at the date of exercise, is £2.53 (2021/22: £3.38). The options outstanding at the end of the year have exercise prices ranging from nil to £2.75 and a weighted average remaining contractual life of 5.6 years (2021/22: 5.1 years).

The Group recognised a total expense of £19m in the year ended 31 January 2023 (2021/22: £27m) relating to equity-settled share-based payment transactions.

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

	Date of grant	Share price at grant £	Exercise price £	Expected life[1] years	Expected volatility[2] %	Dividend yield[3] %	Risk free rate[4] %	Fair value £
Kingfisher Incentive Share Plan	23/04/15	3.52	–	7	–	–	–	3.52
— Deferred Bonus Awards	21/04/16	3.61	–	7	–	–	–	3.61
	03/05/17	3.40	–	7	–	–	–	3.40
	23/04/18	3.09	–	7	–	–	–	3.09
	24/04/19	2.63	–	7	–	–	–	2.63
Performance Share Plan	24/06/22	2.14	–	10	–	–	–	2.43
	21/10/22	2.04	–	10	–	–	–	2.43
UK and International Sharesave	01/11/16	3.64	3.06	5.5	23.5%	2.8%	0.7%	0.39
	31/10/17	3.13	2.42	3.5	22.8%	3.4%	0.6%	0.43
	31/10/17	3.13	2.42	5.5	22.3%	3.4%	0.8%	0.34
	01/11/18	2.62	2.06	3.5	23.2%	4.1%	1.1%	0.33
	01/11/18	2.62	2.06	5.5	23.0%	4.1%	0.8%	0.27
	01/11/19	2.07	1.59	3.5	25.7%	5.2%	0.4%	0.39
	01/11/19	2.07	1.59	5.5	25.1%	5.2%	0.4%	0.35
	29/10/20	2.88	2.37	3.5	37.0%	2.8%	0.0%	0.80
	29/10/20	2.88	2.37	5.5	32.4%	2.8%	0.0%	0.77
	28/10/21	3.31	2.75	3.5	37.4%	3.6%	0.7%	0.88
	28/10/21	3.31	2.75	5.5	32.6%	3.6%	0.8%	0.82
	28/10/22	2.15	1.77	3.5	38.1%	5.8%	3.3%	0.56
	28/10/22	2.15	1.77	5.5	34.0%	5.8%	3.5%	0.53
Alignment Shares	19/07/16	3.32	–	10	–	–	–	3.32
	24/04/17	3.37	–	10	–	–	–	3.37
	23/10/17	3.03	–	10	–	–	–	3.03
	23/04/18	3.09	–	10	–	–	–	3.09
	29/10/18	2.50	–	10	–	–	–	2.50
	24/04/19	2.63	–	10	–	–	–	2.55
	30/07/19	2.23	–	10	–	–	–	2.04
	21/10/19	2.15	–	10	–	–	–	2.05
	28/07/20	2.49	–	10	–	–	–	2.38
	23/10/20	3.20	–	10	–	–	–	3.20
	22/04/21	3.60	–	10	–	–	–	3.46
	21/10/21	3.41	–	10	–	–	–	3.41
Transformation Incentive	19/07/16	3.32	–	10	–	–	–	3.32
Delivering Value Incentive	30/07/19	2.24	–	10	–	–	–	1.75
	04/05/21	3.57	–	10	–	–	–	3.19

1. Expected life is disclosed based on the UK schemes. For the Kingfisher Incentive Share Plan scheme in the UK, the expiry date is 7 years from the date of grant. For the Performance Share Plan, Transformation Incentive award and Alignment Share award the expiry date is 10 years from the date of grant. Expiry of the overseas Alignment Share award is 3 years from the date of grant.
2. Expected volatility was determined for each individual award (or relevant components of an award), by calculating the historical volatility of the Group's share price (plus reinvested dividends) immediately prior to the grant of the award, over the same period as the vesting period of each award, adjusted by expectations of future volatility.
3. As these awards are made under an approved SAYE scheme, option holders cannot be compensated for dividends foregone. As such the historical dividend yield is used, calculated as dividends announced in the 12 months prior to grant as a percentage of the share price on the date of grant.
4. Risk free rate was determined for each individual award (or relevant components of an award).

Notes to the consolidated financial statements continued

32 Cash generated by operations

£ millions	**2022/23**	2021/22
Operating profit	**723**	1,144
Share of post-tax results of joint ventures and associates	**(5)**	(5)
Depreciation and amortisation	**582**	555
Net impairment losses/(reversals)	**155**	(31)
Loss on disposal of property, plant and equipment, intangible assets and assets held for sale	**–**	1
Lease gains	**(2)**	(1)
Share-based compensation charge	**19**	27
Increase in inventories	**(234)**	(359)
Increase in trade and other receivables	**(44)**	(23)
(Decrease)/increase in trade and other payables	**(196)**	158
Movement in provisions	**(13)**	(42)
Movement in post-employment benefits	**(1)**	(13)
Cash generated by operations	**984**	1,411

33 Net debt

£ millions	**2022/23**	2021/22
Cash and cash equivalents	**286**	823
Bank overdrafts	**(16)**	(14)
Cash and cash equivalents and bank overdrafts	**270**	809
Bank loans	**(3)**	(2)
Fixed term debt	**(99)**	–
Net financing derivatives	**2**	(3)
Lease liabilities	**(2,444)**	(2,376)
Net debt	**(2,274)**	(1,572)

£ millions	**2022/23**	2021/22
Net debt at beginning of year	**(1,572)**	(1,394)
Net decrease in cash and cash equivalents and bank overdrafts	**(555)**	(237)
Repayment of bank loans	**–**	2
Issue of fixed term debt	**(99)**	–
Repayment of fixed term debt	**–**	95
Net cashflow[1]	**(654)**	(140)
Movements in lease liabilities	**(41)**	7
Exchange differences and other non-cash movements	**(7)**	(45)
Net debt at end of year	**(2,274)**	(1,572)

1. Refer to the glossary for the definition of net cashflow.

£ millions	2022/23 Borrowings (excluding bank overdrafts)	Net financing derivatives	Lease liabilities	Contract to purchase own shares for cancellation	Total financing liabilities
At 1 February 2022	**(2)**	**(3)**	**(2,376)**	**(69)**	**(2,450)**
Issue of fixed term debt	**(99)**	**–**	**–**	**–**	**(99)**
Lease rental payments	**–**	**–**	**453**	**–**	**453**
Shares purchased for cancellation	**–**	**–**	**–**	**337**	**337**
Interest paid	**1**	**3**	**–**	**–**	**4**
Cash (inflow)/outflow relating to financing liabilities	**(98)**	**3**	**453**	**337**	**695**
Interest charge	**(1)**	**(3)**	**(124)**	**–**	**(128)**
Lease liability additions	**–**	**–**	**(335)**	**–**	**(335)**
Other movements in lease liabilities	**–**	**–**	**(35)**	**–**	**(35)**
Recognised liability due to share purchase commitments	**–**	**–**	**–**	**(275)**	**(275)**
Amortisation of issue costs	**(1)**	**–**	**–**	**–**	**(1)**
Fair value movements and exchange differences	**–**	**5**	**(27)**	**–**	**(22)**
At 31 January 2023	**(102)**	**2**	**(2,444)**	**(7)**	**(2,551)**

£ millions	2021/22 (restated)[1] Borrowings (excluding bank overdrafts)	Net financing derivatives	Lease liabilities	Contract to purchase own shares for cancellation	Total financing liabilities
At 1 February 2021	(97)	(12)	(2,421)	–	(2,530)
Repayment of bank loans	2	–	–	–	2
Repayment of fixed term debt	95	–	–	–	95
Lease rental payments	–	–	476	–	476
Shares purchased for cancellation	–	–	–	157	157
Interest paid	1	7	–	–	8
Cash outflow relating to financing liabilities	98	7	476	157	738
Interest charge	(1)	(7)	(135)	–	(143)
Lease liability additions	–	–	(303)	–	(303)
Other movements in lease liabilities	–	–	(31)	–	(31)
Recognised liability due to share purchase commitments	–	–	–	(226)	(226)
Amortisation of issue costs	(2)	–	–	–	(2)
Fair value movements and exchange differences	–	9	38	–	47
At 31 January 2022	(2)	(3)	(2,376)	(69)	(2,450)

1. Prior year amounts have been restated to include amounts related to the purchase of own shares for cancellation.

34 Commitments

Capital commitments contracted but not provided for by the Group at 31 January 2023 amount to £19m (2021/22: £31m).

Notes to the consolidated financial statements continued

35 Contingent liabilities

The Group is subject to claims and litigation arising in the ordinary course of business and provision is made where liabilities are considered likely to arise on the basis of current information and legal advice.

The Group files tax returns in many jurisdictions around the world and at any one time is subject to periodic tax audits in the ordinary course of its business. Applicable tax laws and regulations are subject to differing interpretations and the resolution of a final tax position can take several years to complete. Where it is considered that future tax liabilities are more likely than not to arise, an appropriate provision is recognised in the financial statements.

In October 2017, the European Commission opened a state aid investigation into the Group Financing Exemption section of the UK controlled foreign company rules. While the Group has complied with the requirements of UK tax law in force at the time, in April 2019 the European Commission concluded that aspects of the UK controlled foreign company regime partially constitute illegal state aid. In January 2021, the Group received a charging notice from HM Revenue & Customs for £57m, which was paid in February 2021, with a further £7m interest paid in April 2021.

The UK Government and the Group, along with other UK-based multinational groups, appealed the European Commission decision to the European Courts. On 8 June 2022, the General Court of the European Union dismissed several of those appeals, including the UK Government's. This decision has been appealed to the European Court of Justice.

The final impact on the Group remains uncertain but, based upon advice taken, the Group continues to consider that the amount paid of £64m, which is included in non-current assets, will ultimately be recovered.

Whilst the procedures that must be followed to resolve these types of tax issues make it likely that it will be some years before the eventual outcome is known, the Group does not currently expect the outcome of these contingent liabilities to have a material effect on the Group's financial position.

36 Related party transactions

During the year, the Group carried out a number of transactions with related parties in the normal course of business and on an arm's length basis. The names of the related parties, the nature of these transactions and their total value are shown below:

	2022/23		2021/22	
£ millions	**Income**	**Receivable**	Income	Receivable
Transactions with Koçtaş Yapi Marketleri Ticaret A.S. in which the Group holds a 50% interest				
Commission and other income	**0.3**	**–**	0.2	–
Transactions with Crealfi S.A. in which the Group holds a 49% interest				
Provision of employee services	**0.2**	**–**	0.2	–
Commission and other income	**3.9**	**1.1**	4.9	0.1
Transactions with the Kingfisher Pension Scheme				
Provision of administrative services	**0.9**	**0.2**	0.8	0.3

Services are usually negotiated with related parties on a cost-plus basis. Goods are sold or bought on the basis of the price lists in force with non-related parties.

The remuneration of key management personnel is given in note 9.

Other transactions with the Kingfisher Pension Scheme are detailed in note 28.

37 Post balance sheet events

During the period since the balance sheet date, the Group purchased 1 million of the Company's own shares for cancellation at a cost of £3m. This amount was deducted from equity in 2022/23 as a result of an irrevocable buyback agreement which was in place at 31 January 2023.

Company balance sheet

At 31 January 2023

£ millions	Notes	2022/23	2021/22 restated (note 6)
Non-current assets			
Property, plant and equipment		**8**	–
Right-of-use assets	4	**13**	1
Trade and other receivables	6	**3,472**	3,411
Investment in subsidiary	5	**6,833**	6,830
Post-employment benefits	10	**10**	20
Deferred tax assets		**6**	–
		10,342	10,262
Current assets			
Trade and other receivables	6	**1,295**	2,022
Derivative assets	9	**2**	5
Current tax assets		**77**	59
Cash and cash equivalents		**93**	194
		1,467	2,280
Total assets		**11,809**	12,542
Current liabilities			
Trade and other payables	7	**(6,518)**	(6,834)
Lease liabilities	4	**–**	(1)
Derivative liabilities	9	**–**	(9)
Provisions		**–**	(2)
		(6,518)	(6,846)
Non-current liabilities			
Borrowings	8	**(99)**	–
Lease liabilities	4	**(13)**	–
		(112)	–
Total liabilities		**(6,630)**	(6,846)
Net assets		**5,179**	5,696
Equity			
Share capital	11	**305**	325
Share premium		**2,228**	2,228
Own shares held in ESOP trust		**(22)**	(46)
Retained earnings		**1,886**	2,428
Capital redemption reserve		**71**	50
Other reserves		**711**	711
Total equity		**5,179**	5,696

The Company's loss for the year was £18m (2021/22: loss of £34m).

The classification of trade and other receivables between non-current and current in the comparative balance sheet has been restated. Refer to note 6.

The financial statements of Kingfisher plc (company number 01664812) were approved by the Board of Directors on 20 March 2023 and signed on its behalf by:

Thierry Garnier
Chief Executive Officer

Bernard Bot
Chief Financial Officer

Company statement of changes in equity

Year ended 31 January 2023

£ millions	Notes	Share capital	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves[1]	Total equity
								2022/23
At 1 February 2022		**325**	**2,228**	**(46)**	**2,428**	**50**	**711**	**5,696**
Loss for the year		**–**	**–**	**–**	**(18)**	**–**	**–**	**(18)**
Other comprehensive loss for the year		**–**	**–**	**–**	**(7)**	**–**	**–**	**(7)**
Total comprehensive loss for the year		**–**	**–**	**–**	**(25)**	**–**	**–**	**(25)**
Share-based compensation	12	**–**	**–**	**–**	**3**	**–**	**–**	**3**
Capital contributions given relating to share-based payments		**–**	**–**	**–**	**18**	**–**	**–**	**18**
New shares issued under share schemes		**1**	**–**	**–**	**7**	**–**	**–**	**8**
Own shares issued under share schemes		**–**	**–**	**24**	**(24)**	**–**	**–**	**–**
Purchase of own shares for cancellation		**(21)**	**–**	**–**	**(275)**	**21**	**–**	**(275)**
Dividends		**–**	**–**	**–**	**(246)**	**–**	**–**	**(246)**
At 31 January 2023		**305**	**2,228**	**(22)**	**1,886**	**71**	**711**	**5,179**

£ millions	Notes	Share capital	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves[1]	Total equity
								2021/22
At 1 February 2021		332	2,228	(23)	2,924	43	711	6,215
Loss for the year		–	–	–	(34)	–	–	(34)
Other comprehensive income for the year		–	–	–	–	–	–	–
Total comprehensive loss for the year		–	–	–	(34)	–	–	(34)
Share-based compensation	12	–	–	–	7	–	–	7
Capital contributions given relating to share-based payments		–	–	–	20	–	–	20
New shares issued under share schemes		–	–	–	5	–	–	5
Own shares issued under share schemes		–	–	15	(15)	–	–	–
Purchase of own shares for cancellation		(7)	–	–	(226)	7	–	(226)
Purchase of own shares for ESOP trust		–	–	(38)	–	–	–	(38)
Dividends		–	–	–	(254)	–	–	(254)
Tax on equity items		–	–	–	1	–	–	1
At 31 January 2022		325	2,228	(46)	2,428	50	711	5,696

1. The other reserves represent the premium on the issue of convertible loan stock in 1993 and the merger reserve relating to the acquisition of Darty in 1993.

Notes to the Company financial statements

1 General information

The Company is a public company limited by shares and incorporated in England and Wales. The Company is non-trading and is the ultimate parent of the Kingfisher plc group ('the Group'). The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 61.

The Company is incorporated in England and Wales, United Kingdom, and is listed on the London Stock Exchange. The address of its registered office is One Paddington Square, London W2 1GG. A full list of related undertakings of the Company and their registered offices is given in note 14.

2 Principal accounting policies

The financial statements of Kingfisher plc ('the Company') are for the year ended 31 January 2023 ('the year' or '2022/23') and were authorised for issue by the Board of Directors on 20 March 2023. The comparative financial year is the year ended 31 January 2022 ('the prior year' or '2021/22').

The directors of Kingfisher plc consider that adequate resources exist for the Company to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis in preparing the financial statements for the year ended 31 January 2023. Refer to note 2a of the consolidated financial statements for details of the Directors' assessment.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 and as such these financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') and the provisions of the Companies Act 2006. The financial statements have been prepared under the historical cost convention, as modified by the use of valuations for certain financial instruments, share-based payments and post-employment benefits.

As permitted by section 408 of the Companies Act 2006, the income statement of the Company has not been presented.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payment';
- the requirements of IFRS 7 'Financial Instruments: Disclosures';
- the requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement';
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 'Presentation of Financial Statements';
- the requirements of IAS 7 'Statement of Cash Flows';
- the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Error';
- the requirements of paragraphs 17 and 18A of IAS 24 'Related Party Disclosures';
- the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets'.

Where required, equivalent disclosures are given in the consolidated financial statements of Kingfisher plc.

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

Restatement of amounts owed by Group Companies

The Company's receivables balances with Group Companies have been reassessed against the classification criteria of current assets as set out in 'IAS 1 Presentation of Financial Statements'. The Company reassessed the amounts owed by Group Companies classified as current assets based on timings that the amounts due were expected to be received and concluded that £3,411m of the amounts owed by Group companies as at 31 January 2022 should be classified as non-current assets. Comparatives have therefore been restated. Please refer to note 6 for further details.

Changes to accounting policies as a result of new standards issued and effective

Changes to accounting policies as a result of new standards issued and effective do not have a material impact on the Company's financial statements.

a. Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange at the balance sheet date. Exchange differences on monetary items are taken to the income statement.

Principal rates of exchange against Sterling:

	2022/23	2021/22
	Year end rate	Year end rate
Euro	**1.13**	1.20
US Dollar	**1.23**	1.34
Polish Zloty	**5.34**	5.49

The financial statements are presented in Sterling, which is the Company's presentation currency and the currency of the primary economic environment in which the entity operates (i.e. its functional currency).

Notes to the Company financial statements continued

b. Leased assets

The Company assesses whether a contract is or contains a lease at inception of the contract. Typically, lease contracts relate to properties such as the Company's Head Office. For leases in which the Company is a lessee, the Company recognises a right-of-use asset and a lease liability, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The liability is initially measured at the present value of the lease payments not yet paid at the commencement date, discounted at an appropriate discount rate. Where the implicit rate in the lease is not readily determinable, an incremental borrowing rate is calculated and applied. The calculation methodology is based upon applying a financing spread to a risk-free rate, with the resulting rate including the effect of the creditworthiness of the Company, as well as the underlying term, currency and start date of the lease agreement.

Lease payments used in the measurement of the lease liability principally comprise fixed lease payments (subject to indexation/rent reviews) less any incentives. The lease liability is subsequently measured using an effective interest method whereby the carrying amount of the lease liability is measured on an amortised cost basis, and the interest expense is allocated over the lease term. The lease term comprises the non-cancellable lease term, in addition to optional periods when the Company is reasonably certain to exercise an option to extend (or not to terminate) a lease.

The Company remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever an event occurs that changes the term or payment profile of a lease, such as the renewal of an existing lease, the exercise of lease term options, market rent reviews and indexation.

The right-of-use assets are initially measured at the amount equal to the lease liability, adjusted by any upfront lease payments or incentives and any initial direct costs incurred. Subsequently, the assets are measured at cost less accumulated depreciation and impairment losses.

Lessor accounting

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

c. Investments

Investments in subsidiaries are included in the balance sheet at cost, less any provisions for impairment.

d. Employee benefits

(i) Post-employment benefits

The Company operates defined benefit and defined contribution pension schemes for its employees. A defined benefit scheme is a pension scheme which defines an amount of pension benefit which an employee will receive on retirement. A defined contribution scheme is a pension scheme under which the Company usually pays fixed contributions into a separate entity. In all cases a separate fund is being accumulated to meet the accruing liabilities. The assets of each of these funds are held under trusts and are entirely separate from the Company's assets.

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

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to other comprehensive income as they arise.

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

(ii) Share-based compensation

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

The fair value of the compensation given to subsidiaries in respect of share-based compensation schemes is recognised as a capital contribution over the vesting period. The capital contribution is reduced by any payments received from subsidiaries in respect of these schemes.

(iii) Employee Share Ownership Plan trust ('ESOP trust')

The ESOP trust is a separately administered discretionary trust. Liabilities of the ESOP trust are guaranteed by the Company and the assets of the ESOP trust mainly comprise shares in the Company.

Own shares held by the ESOP trust are deducted from equity and the shares are held at historical cost until they are sold. The assets, liabilities, income and costs of the ESOP trust are included in both the Company's and the consolidated financial statements.

e. Taxation

The tax currently payable or receivable is based on taxable profit or loss for the year.

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

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

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

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

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

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

f. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

A provision is recorded if the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it. The unavoidable costs reflect the net cost of exiting the contract.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate which reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

g. Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the Company has substantially transferred the risks and rewards of ownership. Financial liabilities (or a part of a financial liability) are derecognised when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets and liabilities are offset only when the Group has a currently enforceable legal right to set-off the respective recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Company has a number of term loans with its group entities. These loans are denominated in Sterling and Euro and are priced to SONIA and ESTR respectively.

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less.

(ii) Borrowings

Interest bearing borrowings are recorded at fair value (which is typically equivalent to the proceeds received) net of direct issue costs and subsequently measured at amortised cost. Where borrowings are in designated and effective fair value hedge relationships, adjustments are made to their carrying amounts to reflect the hedged risks. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are amortised to the income statement using the effective interest method.

(iii) Trade receivables

Trade receivables are initially recognised at their transaction price and are subsequently measured at amortised cost less any allowance for expected credit losses. Amounts owed by Group companies are recorded as non-current unless there is an expectation that they will be received within 12 months.

(iv) Trade payables

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost.

(v) Derivatives and hedge accounting

Where hedge accounting is not applied, or to the extent to which it is not effective, changes in the fair value of derivatives are recognised in the income statement as they arise.

Derivatives are initially recorded at fair value on the date a derivative contract is entered into and are subsequently carried at fair value. The accounting treatment of derivatives and other financial instruments classified as hedges depends on their designation, which occurs at the start of the hedge relationship. The Company designates certain derivatives as a hedge of the fair value of an asset or liability ('fair value hedge').

Notes to the Company financial statements continued

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry being recorded in the income statement.

In order to qualify for hedge accounting, the Company documents in advance the risk management objective and strategy for undertaking the hedge and the relationship between the item being hedged and the hedging instrument. The Company also documents and demonstrates an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis and provides an analysis of the sources of hedge ineffectiveness. The effectiveness testing is performed at half year and year end or upon a significant change in circumstances affecting the hedge effectiveness requirements.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date. Amortisation is based on recalculated effective interest rate.

The company does not have any cash flow hedging instruments.

h. Dividends

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

i. Share repurchases

Shares purchased for cancellation are deducted from retained earnings. The Group uses irrevocable closed period buyback programmes. A liability to purchase shares is recognised at inception of the programme with any subsequent reduction in the obligation credited back to retained earnings at the end of the programme. Share capital is reduced and credited to the capital redemption reserve, maintaining non-distributable reserves.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Company financial statements requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

There have been no critical accounting judgements made by the Directors or key sources of estimation uncertainty identified during the year.

3 Income statement disclosures

The audit fee for the Company and the consolidated financial statements is disclosed in note 8 of the Kingfisher plc consolidated financial statements. Fees payable to Deloitte LLP and their associates for audit and non-audit services to the Company are not required to be disclosed because the Group financial statements disclose such fees on a consolidated basis. Details of the Company's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity were safeguarded are set out in the Audit Committee Report on pages 73 to 76.

Dividend disclosures are provided in note 12 to the Kingfisher plc consolidated financial statements.

£ millions	**2022/23**	2021/22
Wages and salaries	**26**	29
Social security costs	**4**	6
Post-employment benefits – defined contribution	**2**	2
Share-based compensation	**3**	7
Employee benefit expenses	**35**	44

Number	**2022/23**	2021/22
Average number of persons employed		
Administration	**263**	243

Directors' remuneration and details of share option exercises are disclosed in the Directors' Remuneration Report on pages 77 to 100. Total Directors' remuneration for the year is £4m (2021/22: £3m).

As permitted by s408 of Companies Act 2006, no separate income statement or statement of comprehensive income is presented in respect of the parent Company. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet.

4 Leases

The Company is a lessee of office space.

Right-of-use assets

£ millions	**2022/23**	2021/22
Land and buildings	**13**	1
Net carrying amount	**13**	1

Additions to right-of-use assets during the year were £13m (2021/22: £nil).

Amounts included in profit and loss

£ millions	**2022/23**	2021/22
Depreciation of right-of-use assets		
Land and buildings	**(1)**	(2)

Other lease disclosures

Lease arrangements under which rental payments are contingent upon sales, other performance or usage are not significant for the Company.

There are no corporate restrictions imposed by lease arrangements such as those concerning dividends, additional debt and further leasing.

Lease liabilities

£ millions	**2022/23**	2021/22
Current	**–**	(1)
Non-current	**(13)**	–
	(13)	(1)

Notes to the Company financial statements continued

5 Investments

£ millions	Investment in subsidiary
At 1 February 2022	**6,830**
Capital contributions given relating to share-based payments	**18**
Contributions received relating to share-based payments	**(15)**
At 31 January 2023	**6,833**

The more significant subsidiary undertakings of the Company at 31 January 2023 and the ultimate percentage holding are set out below. For a full list of subsidiaries and related undertakings, see note 14.

Company name	Country of incorporation and operation	% interest held and voting rights	Class of share held	Main activity
B&Q Limited	United Kingdom	100%	Ordinary & Special[1]	Retailing
B&Q Properties Limited	United Kingdom	100%	Ordinary	Property investment
Halcyon Finance Limited	United Kingdom	100%	Ordinary	Financing
Kingfisher Digital Limited	United Kingdom	100%	Ordinary	Digital services
Kingfisher Holdings Limited	United Kingdom	100%	Ordinary	Holding company
Kingfisher International Products Limited	United Kingdom	100%	Ordinary	Sourcing
Kingfisher Information Technology Services (UK) Limited	United Kingdom	100%	Ordinary	IT services
Screwfix Direct Limited	United Kingdom	100%	Ordinary	Retailing
Sheldon Holdings Limited	United Kingdom	100%	Ordinary	Holding company
Zeus Land Investments Limited	United Kingdom	100%	Ordinary	Financing
B&Q Ireland Limited	Ireland	100%	Ordinary	Retailing
Brico Dépôt S.A.S	France	100%	Ordinary	Retailing
Castorama France S.A.S	France	100%	Ordinary	Retailing
Euro Dépôt Immobilier S.A.S	France	100%	Ordinary	Property investment
Kingfisher Investissements S.A.S	France	100%	Ordinary	Holding company
L'Immobiliere Castorama S.A.S	France	100%	Ordinary	Property investment
SCREWFIX S.A.S	France	100%	Ordinary	Retailing
We Share Trust S.A.S	France	100%	Ordinary	Services marketplace
Kingfisher Asia Limited	Hong Kong	100%	Ordinary	Sourcing
Castim Sp z o.o.	Poland	100%	Ordinary	Property investment
Castorama Polska Sp. z o.o.	Poland	100%	Ordinary	Retailing
Brico Depot Portugal, S.A.	Portugal	100%	Ordinary	Retailing
Bricostore Romania S.A.	Romania	100%	Ordinary	Retailing
Euro Depot España SAU	Spain	100%	Ordinary	Retailing

1. The special shares in B&Q Limited are owned 100% by Kingfisher plc and are non-voting.

At each reporting date an assessment is performed as to whether there are any indicators that the Company's investments may be impaired and, should such indicators exist, the recoverable amounts are estimated. At the balance sheet date, the Company's market capitalisation was less than the carrying amount of its investments which is an indicator of impairment.

Impairment reviews have been performed for the Company's investments with no resulting impairments. The Board has reviewed a sensitivity analysis and does not consider that a reasonably possible change in the assumptions used in the value-in-use calculations would cause the carrying amount of the Company's investments to exceed their recoverable amounts. See note 13 to the consolidated financial statements for further details on the assumptions used.

6 Trade and other receivables

£ millions	2022/23	2021/22 restated
Non-current		
Owed by Group Companies	**3,472**	3,411
	3,472	3,411
Current		
Owed by Group undertakings	**1,295**	2,022
	1,295	2,022
Trade and other receivables	**4,767**	5,433

Following a reassessment of when certain amounts owed by group undertakings are expected to be realised, the Company has determined that it did not intend to require settlement for certain amounts within 12 months of the balance sheet date. The comparatives have been restated, reclassifying £3,411m to non-current.

Amounts owed by Group undertakings are repayable on demand and any interest due thereon is at current market rates. The amounts owed are not secured with collateral or guarantees. The Company has intercompany term loan receivables from other Group undertakings of £307m (2021/22: £304m) and £983m (2021/22: £1,817m). Both intercompany loans mature on 30 April 2025 and are priced to 3.24% interest. The prior year loans matured on 21 January 2022 and were rolled over for a further three months and repriced to SONIA plus margin before being settled.

Amounts owed by subsidiary undertakings have been considered for impairment using the 12 months expected credit loss model because there have been no changes in credit risk since initial recognition. The expected credit losses on amounts owed by Group companies is nil (2021/22: nil).

7 Trade and other payables

£ millions	2022/23	2021/22
Current		
Owed to Group undertakings	**6,484**	6,716
Other taxation and social security	**5**	5
Contract to purchase own shares for cancellation	**7**	69
Liability to purchase own shares for ESOP trust	**–**	9
Accruals and other payables	**22**	35
	6,518	6,834

Amounts owed to Group undertakings are repayable on demand and any interest due thereon is at current market rates. The amounts owed are not secured with collateral or guarantees.

8 Borrowings

£ millions	2022/23	2021/22
Non-current		
Fixed term debt	**99**	–
	99	–

The fixed term debt represents two GBP term loans maturing in December 2024 and January 2025.

See notes 23 and 33 to the consolidated financial statements for further details.

Notes to the Company financial statements continued

9 Derivatives

The fair value of derivatives at the balance sheet date is:

£ millions	**2022/23**	2021/22
Foreign exchange contracts	**2**	5
Derivative assets	**2**	5
Foreign exchange contracts	**–**	(9)
Derivative liabilities	**–**	(9)

The fair values are calculated by discounting future cash flows arising from the instruments and adjusted for credit risk. These fair value measurements are all made using observable market rates of interest, foreign exchange and credit risk.

10 Post-employment benefits

The Company participates in both a funded defined benefit scheme and a funded defined contribution scheme.

Defined contribution scheme

Pension costs for the defined contribution scheme, at rates specified in the scheme's rules, are as follows:

£ millions	**2022/23**	2021/22
Charge to operating profit	**2**	2

From July 2012, an enhanced defined contribution scheme was offered to all Company employees. Eligible Company employees have been automatically enrolled into the defined contribution scheme since 31 March 2013.

Defined benefit scheme

Kingfisher plc is one of a number of Group companies that participate in the Kingfisher Pension Scheme, and therefore the Company has accounted for its share of the scheme assets and liabilities. The Group's policy is for each entity to recognise its share of assets and liabilities based on the proportion of the scheme contributions payable by that entity. The valuation of the scheme has been based on the most recent actuarial valuation as at 31 March 2022. Following this valuation and in accordance with the scheme's Statement of Funding Principles, the Trustee and Kingfisher have agreed to cease annual employer contributions during the period from August 2022 to July 2025. See note 28 to the consolidated financial statements for further detail on the Kingfisher Pension Scheme.

The final salary pension scheme was closed to future benefit accrual with effect from July 2012.

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

In 2010/11 and 2011/12 the Company entered into two phases of a property partnership arrangement with the scheme Trustee to address an element of the scheme deficit. Further details on this arrangement are given in note 28 to the consolidated financial statements. The reported pension position reflects the Company's share of the resulting scheme asset.

Balance sheet

Movements in the present value of the defined benefit obligation and the fair value of scheme assets are as follows:

£ millions	Defined benefit obligation	Scheme assets	Total
At 1 February 2022	**(86)**	**106**	**20**
Interest (expense)/income	**(2)**	**3**	**1**
Remeasurement gains/(losses)[1]	**27**	**(38)**	**(11)**
Benefits paid	**3**	**(3)**	**–**
At 31 January 2023	**(58)**	**68**	**10**
At 1 February 2021	(91)	110	19
Interest (expense)/income	(1)	1	–
Remeasurement gains/(losses)[1]	2	(2)	–
Contributions paid by employer	–	1	1
Benefits paid	4	(4)	–
At 31 January 2022	(86)	106	20

1. Remeasurement gains/(losses) are recognised in Other Comprehensive Income (net of related deferred tax).

The fair value of scheme assets is analysed as follows:

£ millions	**2022/23**	2021/22
Equities	**1**	3
Government and corporate bonds	**32**	52
Annuities	**25**	35
Cash and other	**10**	16
Total fair value of scheme assets	**68**	106

11 Called up share capital

	Number of ordinary shares millions	Ordinary share capital £ millions
Allotted, called up and fully paid:		
At 1 February 2022	**2,066**	**325**
New shares issued under share schemes	**5**	**1**
Purchase of own shares for cancellation	**(131)**	**(21)**
At 31 January 2023	**1,940**	**305**
At 1 February 2021	2,111	332
New shares issued under share schemes	2	–
Purchase of own shares for cancellation	(47)	(7)
At 31 January 2022	2,066	325

Ordinary shares have a par value of $15^{5/7}$ pence per share and carry full voting, dividend and capital distribution rights.

During the year the Company purchased 131 million of the Company's own shares for cancellation at a cost of £337m as part of its capital returns programme.

Notes to the Company financial statements continued

12 Share-based payments

The Company operates a number of share incentive plans including the Performance Share Plan ('PSP'), Kingfisher Alignment Share and Transformation Incentive Plan ('KASTIP'), Kingfisher Incentive Share Plan ('KISP'), Sharesave plans in the UK and Ireland, and the '1+1' all-colleague share plan across each of our territories.

Options have been exercised on a regular basis throughout the year. On that basis, the weighted average share price during the year, rather than at the date of exercise, is £2.53 (2021/22: £3.38). The options outstanding at the end of the year have exercise prices ranging from nil to £2.75 and a weighted average remaining contractual life of 6.6 years (2021/22: 6.9 years).

In the current year the Company recognised a total expense of £3m (2021/22: £7m) relating to equity-settled share-based payment transactions.

The Executive Directors' awards are disclosed in the Directors' Remuneration Report on pages 77 to 100. The KASTIP awards are described as part of the Directors' Remuneration Report.

PSP awards are based on service and performance conditions over a three-year period. The KASTIP was granted based on a three-year service condition. Under the KISP, share awards are deferred for three years. The awards are granted as nil cost options. Vesting dates may vary according to individual grants.

Under the UK Sharesave scheme, eligible UK employees have been invited to enter into HMRC-approved savings contracts for a period of three or five years, whereby shares may be acquired with savings under the contract. The option price is the average market price over three days shortly before the invitation to subscribe, discounted by 20%. Options are exercisable within a six-month period from the conclusion of a three- or five-year period. The Irish Sharesave plan, which operates along similar lines to the UK Sharesave scheme, includes eligible employees in the Republic of Ireland.

The 1+1 share plan provided all our colleagues with the opportunity to purchase shares up to a specified maximum total contribution. Following a holding period of one year, Kingfisher matched each participant's investment (awarding one free share for every share bought) up to the specified maximum.

The rules of all schemes include provision for the early exercise of options in certain circumstances.

The Employee Share Ownership Plan trust ('ESOP trust')

The ESOP trust is funded by an interest free loan from the Company of £81m (2021/22: £98m) to enable it to acquire shares in Kingfisher plc. The shares are used to satisfy options awarded under the PSP, Delivering Value Incentive award, Transformation Incentive Award, Alignment Share award, KISP, and 1+1 share plan.

The ESOP trust's shareholding at 31 January 2023 is 7 million shares (2021/22: 14 million shares) with a nominal value of £1m (2021/22: £2m) and a market value of £19m (2021/22: £46m). Dividends on these shares were waived for the interim and final dividends.

13 Related party transactions

During the year, the Company carried out a number of transactions with related parties in the normal course of business and on an arm's length basis. The names of the related parties, the nature of these transactions and their total value are shown below:

	2022/23		2021/22	
£ millions	**Income**	**Receivable**	Income	Receivable
Transactions with Koçtaş Yapi Marketleri Ticaret A.S. in which the Kingfisher plc Group holds a 50% interest				
Commission and other income	**0.3**	**–**	0.2	–
Transactions with the Kingfisher Pension Scheme				
Provision of administrative services	**0.9**	**0.2**	0.8	0.3

Services are usually negotiated with related parties on a cost-plus basis. Goods are sold or bought on the basis of the price lists in force with non-related parties. Directors' remuneration and details of share option exercises are disclosed in the Directors' Remuneration Report on pages 77 to 100. Other transactions with the Kingfisher Pension Scheme are detailed in note 10.

14 Related undertakings of the Group

In accordance with Section 409 of the Companies Act 2006, a full list of related undertakings, the address of their registered office and their country of incorporation as at 31 January 2023 is shown below. Changes to the list of related undertakings since the year-end date are detailed in the footnotes below. All undertakings are indirectly owned by the Company unless otherwise stated.

Wholly owned Subsidiary undertakings

All subsidiary undertakings, unless otherwise noted, are consolidated in the Group's financial statements, have only one class of share in issue (being ordinary shares), and have all their shares held by companies within the Group other than the Company (Kingfisher plc). The undertakings denoted with an asterisk (*) will take advantage of the audit exemption set out within Section 479A of the Companies Act 2006 for the year ended 31 January 2023.

ADSR-Real Estate S.A.S.[1]
Alcedo Finance Limited[e, 2, *]
B&Q (Retail) Guernsey Limited[3]
B&Q (Retail) Jersey Limited[4]
B&Q Ireland Limited[6]
B&Q Limited[a, 5]
B&Q Properties Chesterfield Limited[5]
B&Q Properties Chestnut Retail Park Limited[5]
B&Q Properties Farnborough Limited[5, *]
B&Q Properties Investments Limited[7]
B&Q Properties Limited[5]
B&Q Properties New Malden Limited[5]
B&Q Properties Nursling Limited[5]
B&Q Properties South Shields Limited[5]
B&Q Properties Sutton-in-Ashfield Limited[5, *]
B&Q Properties Swindon Limited[5]
B&Q Properties Witney Limited[5, *]
B&Q Properties Wrexham Limited[5]
Bargain Bob's Limited[8, *]
Brico Depot Portugal, S.A.[9]
Brico Dépôt S.A.S.[10]
Bricostore Romania S.A.[11]
Castim Sp z o.o.[12]
Castorama Polska Sp. z o.o[12]
Castorama France S.A.S[13]
Dickens Limited[5, *]

Eijsvogel Finance Limited[e, 2]
Electricfix Limited[8, *]
Euro Depot España SAU[14]
Euro Dépôt Immobilier S.A.S.[10]
Geared Up Limited[8, *]
Good Home Products Limited[e, 2, *]
Halcyon Finance Limited[e, 2]
Horizons 1000 S.A.S[10]
KFL8 S.A.S.[1]
KFS Sp. z o.o.[15]
Kingfisher (Shanghai) Sourcing Consultancy Co. Ltd[16]
Kingfisher Asia Limited[17]
Kingfisher Développement S.A.S.[1]
Kingfisher Digital Limited[e, f, 2]
Kingfisher France Limited[e, 2]
Kingfisher Group Finance B.V.[18]
Kingfisher Group Limited[e, 2]
Kingfisher Holdings Limited[e, b, 2]
Kingfisher Information Technology Services (France) S.A.S.[1]
Kingfisher Information Technology Services (UK) Limited[e, 2]
Kingfisher Insurance Designated Activity Company[19]
Kingfisher International Holdings Limited[e, 2]
Kingfisher International Products B.V.[18]
Kingfisher International Products France S.A.S.[1]
Kingfisher International Products Limited[e, 2]
Kingfisher Investissements S.A.S[13]

Kingfisher Marketplaces Limited[e, 2]
Kingfisher Pension Trustee Limited[e, 2, *]
Kingfisher Properties Investments Limited[e, 2]
Kingfisher Sourcing, Eastern Europe, Sp. z o.o.[12]
Kingfisher TMB Limited[5]
KSO Istanbul Sourcing Ev Geliştirme Ürünleri ve Hizmetleri Ltd Sti[21]
L'Immobiliere Castorama S.A.S.[13]
Martin Pecheur Holdings Limited[22]
MELANI 1 Sp. z o.o[12]
New England Paint Company Limited[2]
Owl Development Sp. z.o.o[12]
Paddington Investment Ireland Limited[22]
Plumbfix Limited[8, *]
Screwfix Direct (Ireland) Limited[6]
Screwfix Direct Limited d,[8]
Screwfix Limited[8, *]
SCREWFIX S.A.S.[1]
SFD Limited[8, *]
Sheldon Euro Investments Limited[e, 2]
Sheldon Holdings Limited[e, 2]
Sheldon Poland Investments Limited[e, 2]
Société Letranne S.A.S[10]
SOCODI S.A.R.L.[1]
Street Club Limited[f, 5, *]
Trade Point Limited[5, *]
Zeus Land Investments Limited[e, 2]

Related undertakings other than wholly owned subsidiaries

The undertakings denoted with an asterisk (**) are charitable entities/partnerships and do not have a share capital.

B&Q Foundation[5, **]
CREALFI S.A.S (France, 49%)[23]
Fondation de France[27, **]
Fondation Castorama[27, **]
Fondation Brico Dépôt[27, **]
Fundacja Castorama[12, **]
Fundación Brico Depôt Iberia[14, **]

Kingfisher Services S.A.S (France, 80%)[1]
Kingfisher Scottish Limited Partnership c,[20]
Koçtas Yapi Marketleri Ticaret A.S. (Turkey, 49.77%)[24]
We Share Trust (Suisse) S.A.R.L (Suisse, immediate parent undertaking 100%, Group undertaking 80%)
The Screwfix Foundation[8, **]
We Share Trust S.A.S (France, immediate parent undertaking 94.08%, Group undertaking 75.26%)[26]
We Share Trust Limited (UK, immediate parent undertaking 100%, Group undertaking 80%)[e, 2, *]

Notes to the Company financial statements continued

14 Related undertakings of the Group continued

a. Kingfisher plc holds 1,000 Special Shares of £0.05 each, and 1,000 Special A Shares of £0.05 each – both representing 100% of the nominal value of each class of share.
b. The shares are held directly by Kingfisher plc.
c. Kingfisher Properties Investments Limited and Kingfisher Pension Trustee Limited are the limited partners; B&Q Properties Investments Limited is the general partner.
d. Kingfisher International Holdings Limited holds 4,083 Ordinary A shares of £1 each, 45,917 Ordinary C shares of £1 each and 4,591,700 Ordinary D Shares of £0.0001 each – each representing 100% of the nominal value of each class of share. These represent 100% of the total issued share capital.
e. On 13 March 2023, the Registered Office changed to 1 Paddington Square, London W2 1GG.
f. Entities in process of strike off.

Registered offices and country of incorporation:

1. Parc d'Activités, Zone Industrielle, Templemars, 59175, France
2. 1 Paddington Square, London, W2 1GG, United Kingdom
3. Dorey Court, Admiral Park, St Peters Port, GY1 3BQ, Guernsey
4. Gaspe House, 66-72 Esplanade, St. Helier, Jersey, JE2 3QT, Jersey
5. B&Q House, Chestnut Avenue, Chandlers Ford, Eastleigh, Hampshire, SO53 3LE, United Kingdom
6. 6th Floor, 2 Grand Canal Square, Dublin 2, D02 A342, Ireland
7. 124-125 Princess Street, Edinburgh, EH2 4AD, Scotland, United Kingdom
8. Trade House, Mead Avenue, Houndstone Business Park, Yeovil, BA22 8RT, United Kingdom
9. Rua Elias García,Estrada Nacional 294, km 14, Freguesia de Rio de Mouro, Concelho de Sintra, Lisboa, Portugal
10. 30-32 Rue de la Tourelle, 91310 Longpont-sur-Orge, France
11. 1-3 Calea Giulesti, 2nd Floor, Bricostore Commercial Centre, District 6, Bucharest, Romania
12. ul. Krakowiaków 78, 02-255, Warszawa, Poland
13. Zone Industrielle, 59175 Templemars, France
14. C/la Selva, 10 Inblau Edificio A 1a, Barcelona, 08820 El Prat de Llobregat, Spain
15. ul. Wielicka 28, 30-552, Krakow, Poland
16. B&Q China, 4th Floor, B&Q Pudong Commercial Building, No. 393 Yin Xiao Road, Pudong New Area, Shanghai, 201204, China
17. 2/F, Koho, 73 – 75 Hung To Road, Kwun Tong, Hong Kong
18. Rapenburgerstraat 175, E, 1011 VM, Amsterdam, Netherlands
19. Willis Towers Watson House, Elm Park, Merrion Road, Dublin 4, Ireland
20. c/0 Womble Bond Dickinson (UK) LLP, 2 Semple Street, Edinburgh, EH3 8BL, Scotland
21. Barbaros Mahallesi Mor Sümbül Sokak, Nidakule Blok No: 7/3, İçkapı no: 127, Ataşehir/İstanbul, Turkey
22. 1st – 2nd Floors, 1-2 Victoria Buildings, Haddington Road, Dublin 4, D04 XN32, Ireland
23. 1 rue Victor Basch, CS 70001, MASSY CEDEX, 91068, France
24. Tasdelen Mahallesi Sirri Celik Bulvari Oto Koc Blok No:9 Cekmekoy, Istanbul, Turkey
25. Rue Saint-Léger, 19, c/o FIDUCIOR SA, Genève, 1204, Switzerland
26. 46, rue Saint-Lazare, Paris, 75009, France
27. 40 Avenue Hoche, Paris, 75008, France

15 Post balance sheet events

During the period since the balance sheet date, the Group purchased 1 million of the Company's own shares for cancellation at a cost of £3m. This amount was deducted from equity in 2022/23 as a result of an irrevocable closed season buyback agreement which was in place at 31 January 2023.

Group five year financial summary

£ millions	2018/19	2019/20	2020/21	2021/22	**2022/23**
Income statement					
Sales	11,685	11,513	12,343	13,183	**13,059**
Retail profit	824	786	1,003	1,148	**923**
Central costs	(69)	(62)	(54)	(60)	**(49)**
Share of interest and tax of joint ventures and associates before adjusting items	(5)	(7)	(3)	(2)	**(4)**
Net finance costs before adjusting items	(176)	(173)	(160)	(137)	**(112)**
Adjusted pre-tax profit	574	544	786	949	**758**
Adjusting items (before tax)	(274)	(441)	(30)	58	**(147)**
Profit before taxation	300	103	756	1,007	**611**
Income tax expense (including adjusting items)	(107)	(95)	(164)	(164)	**(140)**
Profit for the year	193	8	592	843	**471**
Balance sheet					
Goodwill and other intangible assets	2,807	2,755	2,747	2,754	**2,779**
Property, plant and equipment and investment property	3,310	2,996	3,095	3,111	**3,235**
Right-of-use assets	2,017	1,916	1,845	1,885	**1,947**
Investments in joint ventures and associates	15	16	20	17	**30**
Assets and liabilities (excluding net debt) held for sale	89	138	12	6	**3**
Other net current assets[1]	429	424	105	367	**931**
Post-employment benefits	205	277	359	410	**137**
Other net non-current liabilities[1]	(181)	(194)	(218)	(200)	**(125)**
Capital employed	8,691	8,328	7,965	8,350	**8,937**
Equity shareholders' funds	6,149	5,802	6,571	6,778	**6,663**
Net debt	2,542	2,526	1,394	1,572	**2,274**
Capital employed	8,691	8,328	7,965	8,350	**8,937**
Other financial data					
Like-for-like sales growth	(1.6)%	(1.5)%	7.1%	9.9%	**(2.1)%**
Adjusted effective tax rate	27%	26%	23%	22%	**22%**
Basic earnings per share (pence)	9.1	0.4	28.1	40.3	**23.8**
Adjusted basic earnings per share (pence)	19.8	19.1	28.7	35.2	**29.7**
Ordinary dividend per share (pence)	10.82	3.33	8.25	12.40	**12.40**
Gross capital expenditure[2]	331	342	281	397	**449**
Number of stores[3]	1,331	1,367	1,386	1,474	**1,572**

1. Other net current assets and other net non-current liabilities reported above exclude any components of net debt.
2. Excluding business acquisitions.
3. Excluding joint ventures and associates.

Shareholder information

Financial calendar

Q1 results*	24 May 2023
Annual General Meeting	27 June 2023
Half-year results*	19 September 2023
Q3 results*	22 November 2023

* These dates are provisional and may be subject to change.

Annual General Meeting (AGM)

We consider the AGM to be an important event in our calendar and a significant opportunity to engage with our shareholders.

The 2023 AGM will be held at Storey Club, 4 Kingdom Street, London W2 6BD on Tuesday 27 June 2023 at 2pm.

Details of how to participate at the AGM are set out in the Notice of AGM and on our website.

Company Secretary

Chloe Barry

Registered office

Kingfisher plc
1 Paddington Square,
London, W2 1GG

Telephone: +44 (0) 20 7372 8008

Website: www.kingfisher.com

Registered in England and Wales
Registered Number 01664812

Registrars

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

Telephone: +44 (0) 370 702 0129

Shareholders can also visit our online Investor Centre, www.investorcentre.co.uk

Dividends

The company pays all cash dividends through direct payment to shareholder bank accounts. Shareholders who have not yet notified our Registrar of their preferred bank account details should do so without delay. This does not affect those shareholders who have subscribed for the Dividend Reinvestment Plan.

The interim dividend for the financial year ended 31 January 2023 of 3.80 pence per ordinary share was paid on 11 November 2022.

The table below provides the payment information for the final dividend of 8.60 pence per ordinary share, subject to shareholder approval at the 2023 AGM.

Ex-dividend date	25 May 2023
Record date	26 May 2023
Final date for return of DRIP mandate forms/ currency elections	12 June 2023
Euro exchange rate notification	13 June 2023
Payment date and DRIP purchase	3 July 2023

American Depositary Receipts (ADR)

The company has a Sponsored Level 1 ADR programme in the US, which trades on the OTCQX Platform.

Each ADR represents two Kingfisher plc ordinary shares. The company's ADR programme is administered by Citibank, N.A.

ADR investor contact

Telephone: +1 877 248 4237
Email: citibank@shareholders-online.com

ADR broker contact

Telephone: +1 212 723 5435/+44 (0) 20 7500 2030
Email: michael.oleary@citi.com/michael.woods@citi.com

Share dealing facilities

Shareholders wishing to sell or purchase shares in the company may do so through a bank or a stockbroker. Alternatively, please go to www.computershare.com/dealing/uk for a range of Dealing services made available by Computershare.

ShareGift

If you would like to consider donating your shareholding to the charity ShareGift (Registered charity 1052686), further information may be obtained by calling 020 7930 3737 or from www.ShareGift.org

Shareholder security

Details of any share dealing facilities that the company endorses will be included in company mailings only. If you receive any unsolicited investment advice, whether over the telephone, through the post or by email, you should:

- Make sure you get the name of the person and organisation;
- Check that they are properly authorised by the FCA before getting involved by visiting register.fca.org.uk/s/; and
- Report the matter to the FCA either by calling 0800 111 6768 or by completing an online form at www.fca.org.uk/consumers/report-scam-us.

More detailed information on this or similar activity can be found on the FCA website www.fca.org.uk/scamsmart

Share price information

The company's ordinary shares are listed on the London Stock Exchange. Share price history and the latest share price are available on the company's website.

Electronic communications

Shareholders who have not yet elected to receive shareholder documentation in electronic form can sign up by visiting www.investorcentre.co.uk/ecomms and registering their details.

Forward-looking statements

All statements in this Annual Report and Accounts, other than historical facts, may be forward-looking statements (including within the meaning of the safe harbour provisions of the United States Private Securities Litigation Reform Act of 1995). Such statements are therefore subject to inherent risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied, because they relate to future events.

Forward-looking statements can be identified by the use of relevant terminology including the words: 'believes', 'estimates', 'anticipates', 'expects', 'intends', 'plans', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could', 'should', 'project', 'continue' or 'forecast', in each case, their negative or other variations or comparable terminology and include all matters that are not historical facts. These forward-looking statements are based on currently available information and our current assumptions, expectations and projections about future events.

These forward-looking statements appear in a number of places throughout this Annual Report and Accounts and include statements which look forward in time or statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, among other things, our results of operations, financial condition, changes in tax rates, liquidity, prospects, growth strategies and the businesses we operate.

Other factors that could cause actual results to differ materially from those estimated by the forward-looking statements include, but are not limited to, global economic business conditions, global and regional trade conditions (including a downturn in the retail or financial services industries), the state of the housing and home improvement markets, share repurchases and dividends, capital expenditure and capital allocation, liquidity, prospects, growth and strategies, litigation or other proceedings to which we are subject, monetary and interest rate policies, foreign currency exchange rates, equity and property prices, the impact of competition, inflation and deflation, changes to regulations, taxes and legislation, changes to consumer saving and spending habits, acts of war or terrorism worldwide, work stoppages, slowdowns or strikes, public health crises (including but not limited to the Covid pandemic), outbreaks of contagious disease or environmental disaster, political volatility and our success in managing these factors.

Consequently, our actual future financial condition, performance and results could differ materially from the plans, goals and expectations set out in our forward-looking statements. Reliance should not be placed on any forward-looking statement. Nothing in this Annual Report and Accounts or on the Kingfisher website should be construed as a profit forecast or an invitation to deal in the securities of Kingfisher. For further information regarding risks to Kingfisher's business, consult the Risks section on pages 53 to 60.

The forward-looking statements contained herein speak only as of the date of this Annual Report and Accounts and the company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise, other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority).

You are not to construe the content of this Annual Report and Accounts as investment, legal or tax advice and you should make your own evaluation of the Company and the market. If you are in any doubt about the contents of this Annual Report and Accounts or the action you should take, you should consult a person authorised under the Financial Services and Markets Act 2000 (as amended) (or if you are a person outside the UK, otherwise duly qualified in your jurisdiction). Nothing in this Annual Report and Accounts should be construed as either an offer or invitation to sell or any offering of securities or any invitation or inducement to any person to underwrite, subscribe for or otherwise acquire securities in any company within the Group or an invitation or inducement to engage in investment activity under section 21 of the Financial Services and Markets Act 2000 (as amended) (or, otherwise under any other law, regulation or exchange rules in any other applicable jurisdiction).

Glossary

Alternative Performance Measures (APMs)

In the reporting of financial information, the Directors have adopted various Alternative Performance Measures (APMs), also known as non-GAAP measures, of historical or future financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards (IFRS). These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including those used by other retailers. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Adjusted basic earnings per share (EPS)	Basic earnings per share	A reconciliation of adjusted basic earnings per share is included in the Financial Review (Section 5) and note 11 of the consolidated financial statements	Adjusted basic earnings per share represents profit after tax attributable to the owners of the parent, before the impact of adjusting items (see definition below), divided by the weighted average number of shares in issue during the period. The exclusion of adjusting items helps provide an indication of the Group's ongoing business performance.
Adjusted effective tax rate	Effective tax rate	A reconciliation to the statutory effective tax rate is set out in the Financial Review (Section 5)	The adjusted effective tax rate is calculated as continuing income tax expense excluding tax adjustments in respect of prior years (including the impact of changes in tax rates on deferred tax), significant one-off tax settlements and provision charges/releases and the tax effects of adjusting items, divided by continuing profit before taxation excluding adjusting items. Prior year tax items represent income statement tax relating to underlying items originally arising in prior years, including the impact of changes in tax rates on deferred tax. The exclusion of items relating to prior years, and those not in the ordinary course of business, helps provide a better indication of the Group's ongoing rate of tax.
Adjusted pre-tax profit	Profit before taxation	A reconciliation of adjusted pre-tax profit is set out in the Financial Review (Section 5)	Adjusted pre-tax profit is used to report the performance of the business at a Group level. This is stated before adjusting items. The exclusion of adjusting items helps provide an indication of the Group's ongoing business performance.
Adjusted pre-tax profit margin %	No direct equivalent	Refer to definition	Adjusted pre-tax profit is used to report the performance of the business at a Group level and is separately defined. Adjusted pre-tax profit margin % represents adjusted pre-tax profit as a percentage of sales. It is a measure of overall business profitability.
Adjusted post-tax profit	Profit after tax	A reconciliation of adjusted post-tax profit is set out in the Financial Review (Section 5) and note 11 of the consolidated financial statements	Adjusted post-tax profit is used to report the after-tax performance of the business at a Group level. This is stated before adjusting items. The exclusion of adjusting items helps provide an indication of the Group's ongoing after-tax business performance.
Adjusting items	No direct equivalent	Not applicable	Adjusting items, which are presented separately within their relevant income statement category, include items which by virtue of their size and/or nature, do not reflect the Group's ongoing trading performance. Adjusting items may include, but are not limited to: non-trading items included in operating profit such as profits and losses on the disposal, closure, exit or impairment of subsidiaries, joint ventures, associates and investments which do not form part of the Group's ongoing trading activities; the costs of significant restructuring and incremental acquisition integration costs; profits and losses on the exit of properties, impairments of goodwill and significant impairments (or impairment reversals) of other non-current assets; prior year tax items (including the impact of changes in tax rates on deferred tax), significant one-off tax settlements and provision charges/releases and the tax effects of other adjusting items; financing fair value remeasurements i.e., changes in the fair value of financing derivatives, excluding interest accruals, offset by fair value adjustments to the carrying amount of borrowings and other hedged items under fair value (or non-designated) hedge relationships. Financing derivatives are those that relate to hedged items of a financing nature.
Central costs	No direct equivalent	Not applicable	Central costs principally comprise the costs of the Group's head office before adjusting items. This helps provide an indication of the Group's ongoing head office costs.

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APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Constant currency	No direct equivalent	Not applicable	Constant currency changes in total sales, LFL sales, gross profit, gross margin %, retail profit, retail profit margin % and operating costs reflect the year-on-year movements after translating the prior year comparatives at the current year's average exchange rates. These are presented to eliminate the effects of exchange rate fluctuations on the reported results.
Dividend cover	No direct equivalent	Not applicable	Dividend cover represents the ratio of earnings to dividends. It is calculated as adjusted basic earnings per share divided by the total (full year) dividend per share. It is used as an indication of how sustainable dividend payments are.
Digitally-enabled sales±	No direct equivalent	Refer to definition	Digitally-enabled sales are e-commerce sales plus sales associated with customer orders placed in stores or via contact centres for collection from store or home delivery (via central home delivery or via store-to-home). It is used to help track how well we are responding to changing customer behaviours.
E-commerce sales penetration %±	No direct equivalent	Refer to definition	E-commerce sales penetration % represent total e-commerce sales as a percentage of sales. For the purpose of this calculation only, sales are adjusted to replace marketplace net sales with marketplace gross sales. It is used to track the success of our e-commerce strategy.
First-party e-commerce sales±	No direct equivalent	Refer to definition	First-party e-commerce sales are total first-party sales (excluding VAT) derived from online transactions, including click & collect (C&C). This includes sales transacted on any device, however not sales through a call centre. Sales (and related commissions/fees) from products supplied by third-party e-commerce marketplace vendors are excluded. It is used to measure the performance of our first-party e-commerce business across the Group.
Total e-commerce sales±	No direct equivalent	Refer to definition	Total e-commerce sales are first-party e-commerce sales plus marketplace gross sales. References to digital or e-commerce sales growth relates to growth in constant currency. It is used to measure the performance of all e-commerce business (first-party and third-party) across the Group.
EBITDA	Profit before taxation	A reconciliation of EBITDA is set out in the Financial Review (Section 5)	EBITDA (earnings before interest, tax, depreciation and amortisation) is calculated as retail profit less central costs and before depreciation and amortisation. This measure is widely used in calculating the ratio of net debt to EBITDA, and is used to reflect the Group's leverage.
Free cash flow	Net increase in cash and cash equivalents and bank overdrafts	A reconciliation of free cash flow is set out in the Financial Review (Section 5)	Free cash flow represents the cash generated from operations (excluding adjusting items) less the amount spent on interest, tax and capital expenditure during the year (excluding asset disposals). This provides a measure of how much cash the business generates that can be used for expansion, capital returns and other purposes.
Gross margin %	No direct equivalent	Refer to definition	Gross profit represents sales from the supply of home improvement products and services (excluding VAT), less the associated cost of those sales. Gross margin % represents gross profit as a percentage of sales. It is a measure of operating performance.
LFL	Sales	Refer to definition	LFL (like-for-like) sales growth represents the constant currency, YoY sales growth for stores that have been open for more than one year. Stores temporarily closed or otherwise impacted due to COVID are also included. It is a measure to reflect the Group's performance on a comparable basis.
3-year LFL	Sales	Refer to definition	3-year LFL is calculated by compounding the current and prior two periods' LFL growth. For example, FY 22/23 LFL growth of 5%, FY 21/22 LFL growth of 4%, and FY 20/21 LFL growth of 3%, results in 3-year LFL growth of 12.5%. Russia (sale completed on 30 September 2020) is excluded from Group and Other International 3-year LFL calculations. It is a measure of the Group's performance on a comparable basis. In FY 23/24, 3-year LFL measures will no longer be reported.
Marketplace gross merchandise value (GMV)±	No direct equivalent	Refer to definition	Marketplace GMV is the total transaction value (including VAT) from the sale of products supplied by third-party e-commerce marketplace vendors. It is used to measure the performance of our e-commerce marketplace, and is the basis on which our commissions from third-party vendors are determined.

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Glossary continued

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Marketplace gross sales±	No direct equivalent	Refer to definition	Marketplace gross sales is the transaction value (excluding VAT) from the sale of products supplied by third-party e-commerce marketplace vendors. Returned and cancelled orders are excluded. It is used to measure the performance of our e-commerce marketplace.
Marketplace net sales±	No direct equivalent	Refer to definition	Marketplace net sales are commissions (excluding VAT) earned on e-commerce marketplace transactions, together with other service fees. This is included within sales. Commissions are determined based on GMV. It is used to measure the performance of our e-commerce marketplace.
Marketplace participation %±	No direct equivalent	Refer to definition	Marketplace participation % represent B&Q's marketplace gross sales as a percentage of B&Q's total e-commerce sales. It is used to track the success of our marketplace strategy and performance.
Net debt	No direct equivalent	A reconciliation of this measure is provided in note 33 of the consolidated financial statements	Net debt comprises lease liabilities, borrowings and financing derivatives (excluding accrued interest), less cash and cash equivalents and short term deposits, including such balances classified as held for sale.
Net cash flow	Net increase in cash and cash equivalents and bank overdrafts	A reconciliation of net cash flow is set out in the Financial Review (Section 5) and in note 33 of the consolidated financial statements	Net cash flow is a measure to reflect the total movement in the net debt balance during the year excluding the movement in lease liabilities, exchange differences and other non-cash movements.
Operating costs	No direct equivalent	Not applicable	Operating costs represent gross profit less retail profit. This is the Group's operating cost measure used to report the performance of our retail businesses.
Own exclusive brands (OEB) sales±	No direct equivalent	Refer to definition	OEB refers to our portfolio of own exclusive brands across seven core categories – surfaces & décor, tools & hardware, bathroom & storage, kitchen, EPHC (electricals, plumbing, heating & cooling), building & joinery, and outdoor. OEB sales are sales of own exclusive brand products. It is used to measure the performance of OEB across the Group.
Retail profit	Profit before taxation	A reconciliation of Group retail profit to profit before taxation is set out in the Financial Review (Section 5) and note 5 of the consolidated financial statements. There is no statutory equivalent to retail profit at a retail banner level	Retail profit is stated before central costs, adjusting items and the Group's share of interest and tax of JVs and associates. This is the Group's operating profit measure used to report the performance of our retail businesses.
Retail profit margin %	No direct equivalent	Refer to definition	Retail profit is the Group's operating profit measure used to report the performance of our retail businesses and is separately defined above. Retail profit margin % represents retail profit as a percentage of sales. It is a measure of operating performance.
ROCE	No direct equivalent	Refer to definition	ROCE (return on capital employed) is the post-tax retail profit less central costs, excluding adjusting items, divided by capital employed excluding historic goodwill, net debt and adjusting restructuring provision. The measure provides an indication of the ongoing returns from the capital invested in the business. Capital employed is calculated as a two-point average. The calculation excludes disposed businesses.
Same-store net inventory	Inventory	Refer to definition	Same-store net inventory movement represents the constant currency, YoY change in net inventory before the impact of store openings and closures. Stores temporarily closed or otherwise impacted due to COVID are also included. It is a measure to reflect the Group's inventory management on a comparable basis.

± Indicates the inclusion of new APMs during FY 22/23. The new APMs in the table above have been introduced to track the performance of our own exclusive brands (OEB) and our e-commerce businesses and digital products and services.

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Other definitions

Banque de France data for DIY retail sales (non-seasonally adjusted). Includes relocated and extended stores. https://webstat.banque-france.fr/fr/#/node/5384398. As of and including January 2023, we have taken the decision to no longer communicate Castorama France and Brico Dépôt France monthly sales figures to Banque de France and the internal index of FMB (Fédération des Magasins de Bricolage – our trade association), until further notice.

'Do It Yourself' (DIY) sales include products that facilitate self-undertaken home improvement projects and tasks, including paint, lighting, tools and hardware, and garden maintenance.

'Do It For Me' (DIFM) sales include products and services used in home improvement projects and tasks that predominantly require a tradesperson to undertake, including kitchens, bathrooms, tiling, wardrobes, windows and doors, certain electrical and plumbing activities, and installation services.

France consists of Castorama France and Brico Dépôt France.

GNFR (Goods Not For Resale) covers the procurement of all goods and services a retailer consumes (including ocean freight, energy, media buying, cleaning, and security).

Iberia consists of Brico Dépôt Spain and Brico Dépôt Portugal.

Other International consists of Poland, Iberia, Romania, 'Other', and Turkey (Koçtaş JV). 'Other' consists of the consolidated results of Screwfix International, NeedHelp, and results from franchise agreements.

SKU (Stock Keeping Unit) is defined as the number of individual variants of products sold or remaining in stock. It is a distinct type of item for sale, such as a product and all attributes associated with the item type that distinguish it from others. These attributes could include, but are not limited to, manufacturer, description, material, size, colour, packaging and warranty terms.

UK & Ireland consists of B&Q in the UK & Ireland and Screwfix in the UK & Ireland.

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Printed by Park Communications on FSC® certified paper.

Park works to the EMAS standard and its Environmental Management System is certified to ISO 14001.

This publication has been manufactured using 100% offshore wind electricity sourced from UK wind.

100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled and the remaining 1% used to generate energy.

This document is printed on Edixion Offset, a paper made of material from well-managed, FSC®-certified forests and other controlled sources.

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