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)