Consolidated income statement
Year ended 31 January 2022

£ millions	Notes	2021/22 Before adjusting items	2021/22 Adjusting items (note 4)	2021/22 Total	2020/21 re-presented (note 2) Before adjusting items	2020/21 re-presented (note 2) Adjusting items (note 4)	2020/21 re-presented (note 2) Total
Sales	3	**13,183**	**–**	**13,183**	12,343	–	12,343
Cost of sales		**(8,248)**	**–**	**(8,248)**	(7,770)	–	(7,770)
Gross profit		**4,935**	**–**	**4,935**	4,573	–	4,573
Selling and distribution expenses		**(3,041)**	**42**	**(2,999)**	(2,843)	12	(2,831)
Administrative expenses		**(836)**	**13**	**(823)**	(809)	(6)	(815)
Other income		**23**	**3**	**26**	19	13	32
Other expenses		**–**	**–**	**–**	–	(49)	(49)
Share of post-tax results of joint ventures and associates		**5**	**–**	**5**	6	–	6
Operating profit	3	**1,086**	**58**	**1,144**	946	(30)	916
Finance costs		**(148)**	**–**	**(148)**	(180)	–	(180)
Finance income		**11**	**–**	**11**	20	–	20
Net finance costs	5	**(137)**	**–**	**(137)**	(160)	–	(160)
Profit before taxation		**949**	**58**	**1,007**	786	(30)	756
Income tax expense	6	**(212)**	**48**	**(164)**	(182)	18	(164)
Profit for the year		**737**	**106**	**843**	604	(12)	592

Earnings per share	8						
Basic				**40.3p**			28.1p
Diluted				**39.8p**			27.9p
Adjusted basic				**35.2p**			28.7p
Adjusted diluted				**34.8p**			28.5p

The proposed dividend for the year ended 31 January 2022, 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 2021 and a final dividend of 8.60p.

The Group no longer uses the term ‘exceptional adjusting items’ within its Alternative Performance Measure definitions, with the term ‘adjusting items’ now judged to be more appropriate. As a result, the previous columnar presentation in the consolidated income statement has been revised to include all ‘adjusting items’, including prior year tax items. Refer to note 2

Consolidated statement of comprehensive income
Year ended 31 January 2022

£ millions	Notes	2021/22	2020/21
Profit for the year		**843**	592
Remeasurements of post-employment benefits	10	**21**	68
Inventory cash flow hedges – fair value gains/(losses)		**59**	(48)
Tax on items that will not be reclassified		**(18)**	(13)
Total items that will not be reclassified subsequently to profit or loss		**62**	7
Currency translation differences			
Group		**(218)**	112
Joint ventures and associates		**(7)**	(2)
Transferred to income statement		**–**	49
Other cash flow hedges			
Fair value gains		**1**	5
Gains transferred to income statement		**(1)**	(5)
Total items that may be reclassified subsequently to profit or loss		**(225)**	159
Other comprehensive (loss)/income for the year		**(163)**	166
Total comprehensive income for the year		**680**	758

Consolidated statement of changes in equity
Year ended 31 January 2022

2021/22

£ millions	Notes	Share capital	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves	Total equity
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		**–**	**–**	**–**	**27**	**–**	**–**	**27**
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	9	**–**	**–**	**–**	**(254)**	**–**	**–**	**(254)**
Tax on equity items		**–**	**–**	**–**	**(1)**	**–**	**(2)**	**(3)**
At 31 January 2022		**325**	**2,228**	**(46)**	**4,025**	**50**	**196**	**6,778**

2020/21

£ millions	Share capital	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves	Total equity
At 1 February 2020	332	2,228	(23)	2,994	43	228	5,802
Profit for the year	–	–	–	592	–	–	592
Other comprehensive income for the year	–	–	–	44	–	122	166
Total comprehensive income for the year	–	–	–	636	–	122	758
Inventory cash flow hedges - losses transferred to inventories	–	–	–	–	–	13	13
Share-based compensation	–	–	–	14	–	–	14
New shares issued under share schemes	–	–	–	1	–	–	1
Own shares issued under share schemes	–	–	14	(14)	–	–	–
Purchase of own shares for ESOP trust	–	–	(14)	–	–	–	(14)
Tax on equity items	–	–	–	(1)	–	(2)	(3)
At 31 January 2021	332	2,228	(23)	3,630	43	361	6,571

Consolidated balance sheet

At 31 January 2022

£ millions	Notes	2021/22	2020/21
Non-current assets			
Goodwill		**2,424**	2,427
Other intangible assets		**330**	320
Property, plant and equipment		**3,078**	3,075
Investment property		**33**	20
Right-of-use assets		**1,885**	1,845
Investments in joint ventures and associates		**17**	20
Post-employment benefits	10	**540**	504
Deferred tax assets		**10**	15
Other tax authority asset		**64**	57
Derivative assets		**1**	–
Other receivables		**22**	29
		8,404	8,312
Current assets			
Inventories		**2,749**	2,488
Trade and other receivables		**300**	290
Derivative assets		**37**	5
Current tax assets		**33**	20
Cash and cash equivalents		**823**	1,142
Assets held for sale		**6**	12
		3,948	3,957
Total assets		**12,352**	12,269
Current liabilities			
Trade and other payables		**(2,674)**	(2,520)
Borrowings		**(14)**	(101)
Lease liabilities		**(347)**	(330)
Derivative liabilities		**(12)**	(59)
Current tax liabilities		**(46)**	(70)
Other tax authority liability		**–**	(57)
Provisions		**(23)**	(46)
		(3,116)	(3,183)
Non-current liabilities			
Other payables		**(10)**	(11)
Borrowings		**(2)**	(2)
Lease liabilities		**(2,029)**	(2,091)
Derivative liabilities		**(1)**	(1)
Deferred tax liabilities		**(276)**	(232)
Provisions		**(10)**	(33)
Post-employment benefits	10	**(130)**	(145)
		(2,458)	(2,515)
Total liabilities		**(5,574)**	(5,698)
Net assets		**6,778**	6,571
Equity			
Share capital		**325**	332
Share premium		**2,228**	2,228
Own shares held in ESOP trust		**(46)**	(23)
Retained earnings		**4,025**	3,630
Capital redemption reserve		**50**	43
Other reserves		**196**	361
Total equity		**6,778**	6,571

The financial statements were approved by the Board of Directors on 21 March 2022 and signed on its behalf by:

Thierry Garnier
Chief Executive Officer

Bernard Bot
Chief Financial Officer

Consolidated cash flow statement

Year ended 31 January 2022

£ millions	Notes	2021/22	2020/21
Operating activities			
Cash generated by operations	11	**1,411**	1,816
Income tax paid		**(169)**	(166)
Other tax authority payments		**(64)**	–
Net cash flows from operating activities		**1,178**	1,650
Investing activities			
Purchase of property, plant and equipment and intangible assets		**(397)**	(281)
Disposal of property, plant and equipment, investment property, assets held for sale and intangible assets		**9**	48
Purchase of businesses, net of cash acquired		**–**	(8)
Disposal of businesses, net of cash disposed		**7**	27
Interest received		**2**	4
Interest element of lease rental receipts		**1**	2
Principal element of lease rental receipts		**3**	3
Advance payments on right-of-use assets		**(11)**	(2)
Dividends received from joint ventures and associates		**1**	–
Net cash flows used in investing activities		**(385)**	(207)
Financing activities			
Interest paid		**(22)**	(26)
Interest element of lease rental payments		**(135)**	(153)
Principal element of lease rental payments		**(341)**	(309)
Repayment of bank loans		**(2)**	(1)
Issue of fixed term debt		**–**	1,950
Repayment of fixed term debt		**(95)**	(2,011)
Receipt on financing derivatives		**–**	1
New shares issued under share schemes		**5**	1
Purchase of own shares for ESOP trust		**(29)**	(14)
Purchase of own shares for cancellation		**(157)**	**–**
Ordinary dividends paid to equity shareholders of the Company	9	**(254)**	–
Net cash flows used in financing activities		**(1,030)**	(562)
Net (decrease)/increase in cash and cash equivalents and bank overdrafts		**(237)**	881
Cash and cash equivalents and bank overdrafts at beginning of year		**1,136**	195
Exchange differences		**(90)**	60
Cash and cash equivalents and bank overdrafts at end of year	12	**809**	1,136

Notes

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 Company is incorporated in England and Wales, United Kingdom, and is listed on the London Stock Exchange. The address of its registered office is 3 Sheldon Square, Paddington, London W2 6PX.

2 Basis of preparation

The consolidated financial statements of the Company, its subsidiaries, joint ventures and associates are made up to 31 January. The current financial year is the year ended 31 January 2022 ('the year' or '2021/22'). The comparative financial year is the year ended 31 January 2021 ('the prior year' or '2020/21').

The condensed financial information, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated balance sheet, consolidated cash flow statement and related notes do not constitute statutory financial statements for the year ended 31 January 2022, but are derived from those statements. Statutory financial statements for 2020/21 have been filed with the Registrar of Companies and those for 2021/22 will be filed in due course. The Group's auditors have reported on both years' accounts; their reports were unqualified and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

The condensed financial information has been abridged from the 2021/22 statutory financial statements, which 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 income statement and related notes represent results for continuing operations, there being no discontinued operations in the years presented. The condensed financial information has 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.

Going concern

Based on the Group's liquidity position and cash flow projections, including a forward-looking remote 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 condensed consolidated financial statements for the year ended 31 January 2022.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review in part 1 of this announcement. The Directors have considered these areas alongside the principal risks and how they may impact going concern. Further details, including the analysis performed and conclusions reached, are set out below.

The new financial year has started positively, reflecting continued strong demand across all our banners (Q1 2022/23 LFL sales (to 19 March 2022) are down by 8.1%%, reflecting very strong comparatives in the prior year, however the corresponding 2-year LFL is up 16.0%). While the exceptional demand we have seen since early May 2020 has moderated, the COVID crisis has established longer-term trends that are clearly supportive for our industry – including the renewed importance of the home, more working from home and the development of a new generation of DIY'ers. We expect these broad trends to endure.

As of 31 January 2022, Kingfisher had access to over £1.3bn of liquidity comprising cash and cash equivalents (net of bank overdrafts) of over £800m and access to undrawn Revolving Credit Facilities (RCFs) of £550m (expiring at the end of May 2024). The ratio of net debt to EBITDA on an IFRS 16 basis was 1.0 as of 31 January 2022.

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 strong, in forming their outlook on the future financial performance, the Directors considered the normalisation of store traffic and average spend, 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 a remote scenario to assess the impact of more restrictive containment measures than those experienced during the pandemic to date in the event of a more severe wave of resurgence of the COVID pandemic. The remote scenario considers the impact of a significant drop in sales over a period of six months followed by a period of recovery lasting two months before trading resumes to the expected forecast. The total loss of sales in this scenario is c.£2.1bn against budgeted sales (23% of total sales 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 dividend payments. The scenario also assumes the £300m share buyback programme announced in September 2021 is completed in full. Even under this remote scenario the Group retains significant headroom on its credit facilities with only a limited drawing on the RCF required for a few months.

Given current trading and expectations for the business, the Directors believe that this scenario reflects a remote outcome for the Group. Should the impact of the pandemic be more prolonged or severe than currently forecast by the Directors under this remote scenario, the Group would need to implement additional operational or financial measures.

Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 January 2021, as described in note 2 of those financial statements, except where set out below.

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.

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 critical accounting judgements and key sources of estimation uncertainty are consistent with those of the annual financial statements for the year ended 31 January 2021, as described in note 3 of those financial statements.

New and amended accounting standards

New standards, amendments and interpretations are in issue and effective for the Group's financial year ended 31 January 2022, but they do not have a material impact on the consolidated financial statements.

Principal rates of exchange against Sterling

	2021/22		2020/21	
	Average rate	Year end rate	Average rate	Year end rate
Euro	**1.17**	**1.20**	1.12	1.13
US Dollar	**1.38**	**1.34**	1.29	1.37
Polish Zloty	**5.34**	**5.49**	5.00	5.11
Romanian Leu	**5.76**	**5.92**	5.43	5.50
Russian Rouble	**n/a**	**n/a**	92.43*	103.99

** The Group completed the sale of Castorama Russia on 30 September 2020. The 2020/21 Russian Rouble YTD average rate relates to the period to 30 September 2020 (i.e. to the date of disposal).*

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.

Re-presentation of income statement

The Group no longer uses the term ‘exceptional adjusting items’ within its Alternative Performance Measure definitions, with the term ‘adjusting items’ now judged to be more appropriate given the potential for certain items previously classified as ‘exceptional adjusting items’ to be recurring in nature. This removes the previous distinction between ‘exceptional adjusting items’ and other adjusting items (i.e. prior year tax items and financing fair value remeasurements) from the Group’s Alternative Performance Measures and simplifies the Group’s reporting of such items. As a result, the consolidated income statement comparatives for the year ended 31 January 2021, which previously included separate presentation of ‘exceptional adjusting items’, have been re-presented to include all ‘adjusting items’ (as defined above) separately in the columnar presentation. The effect of this change is the inclusion within the ‘Adjusting items’ column of those prior year tax items that were not previously classified as ‘exceptional adjusting items’ (2021/22: £59m credit, 2020/21: £21m credit). Financing fair value remeasurements are £nil in the current and prior year. This represents a change in terminology and presentation only, with no impact on adjusted or statutory performance measures. Refer to note 4.

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.

3 Segmental analysis

Income statement

2021/22

	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**

2020/21

	UK & Ireland	France	*Poland*	*Other*	Other International	Total
Sales	5,743	4,309	*1,550*	*741*	2,291	12,343
Retail profit/(loss)	681	181	*146*	*(5)*	141	1,003
Central costs						(54)
Share of interest and tax of joint ventures and associates						(3)
Adjusting items						(30)
Operating profit						916
Net finance costs						(160)
Profit before taxation						756

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, results from franchise agreements and, in the prior year, Russia. Poland has been shown separately due to its significance.

Central costs principally comprise the costs of the Group's head office before adjusting items.

4 Adjusting items

£ millions	2021/22	2020/21
Included within selling and distribution expenses		
Net store asset impairment reversals	**33**	42
Release of France and other restructuring provisions	**9**	–
Impairments of Russia assets and other exit costs	–	(27)
IT asset write-downs and related costs	–	(3)
	42	12
Included within administrative expenses		
Release of France uncertain operating tax position	**9**	–
Commercial operating model restructuring	**4**	(16)
Release of B&Q China disposal warranty liability	–	10
	13	(6)
Included within other income/(expenses)		
Profit on exit of properties	**3**	13
Loss on disposal of Castorama Russia	–	(49)
	3	(36)
Adjusting items before tax	**58**	(30)
Prior year and other adjusting tax items	**48**	18
Adjusting items	**106**	(12)

Revised future store performance projections, reflecting continued strong trading and benefits arising from the Group's 'Powered by Kingfisher' strategy, have resulted in net store asset impairment reversals of £33m. These predominately comprised reversals of adjusting impairment charges recorded in 2019/20.

Current year adjusting items include a £9m credit principally 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.

A £9m liability that was held in relation to an uncertain operating tax position in France has been released in the year. This formed part of a liability of £26m that had been recorded as an adjusting item in 2019/20.

In the prior year, the Group commenced formal consultation with employee representatives regarding its proposal to implement a new commercial operating model. A credit of £4m has been recognised in the current year due to cost savings as compared with the original restructuring provisions recognised as adjusting items.

A profit of £3m has been recorded on the exit of two properties in the UK and one property in France.

Prior year and other adjusting tax items of £48m relate principally to the impact of the enacted future increase in the UK tax rate on deferred tax balances 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. Of this amount, a £26m credit is included within current tax and a £22m credit is included within deferred tax respectively. Refer to note 6.

5 Net finance costs

£ millions	2021/22	2020/21
Bank overdrafts, bank loans and derivatives	**(7)**	(13)
Fixed term debt	**(3)**	(14)
Lease liabilities	**(135)**	(153)
Capitalised interest	**–**	2
Other interest payable	**(3)**	(2)
Finance costs	**(148)**	(180)
Cash and cash equivalents and short-term deposits	**2**	3
Net interest income on defined benefit pension schemes	**8**	6
Finance lease income	**1**	2
Release of liability for interest on uncertain tax positions	**–**	9
Finance income	**11**	20
Net finance costs	**(137)**	(160)

6 Income tax expense

£ millions	2021/22	2020/21
UK corporation tax		
Current tax on profits for the year	**(80)**	(102)
Adjustments in respect of prior years	**2**	10
	(78)	(92)
Overseas tax		
Current tax on profits for the year	**(87)**	(61)
Adjustments in respect of prior years	**31**	5
	(56)	(56)
Current tax	**(134)**	(148)
Deferred tax		
Current year	**(56)**	(26)
Adjustments in respect of prior years	**1**	2
Adjustments in respect of changes in tax rates	**25**	8
Deferred tax	**(30)**	(16)
Income tax expense	**(164)**	(164)

The adjusted effective tax rate on profit before adjusting items is 22% (2020/21: 23%).

The UK Budget on 3 March 2021 announced the intention to increase the tax rate from the current rate of 19% to 25%, with effect from April 2023. The change was substantively enacted in May 2021, with the effect of reducing the net deferred tax liability as reported at the year end by £25m. This reflects an increase in net deferred tax assets that would be expected to reverse in the future at the new rate, with net deferred tax liabilities not impacted by this future change in rate.

7 Government grants

In the prior year, the Group announced furlough programmes to some of our colleagues in the UK, Republic of Ireland, France, Poland, Spain and Romania, such as the Coronavirus Job Retention Scheme (CJRS) in the UK and 'activité partielle' relief measures in France. Approximately 50% of the Group's colleagues were furloughed in April 2020, reducing to c.10% by the end of May 2020 as stores within the UK and France were reopened. With the exception of those who were vulnerable and/or at a higher risk of infection, all furloughed colleagues returned by 1 July 2020.

In addition, the UK government announced in March 2020 that retail premises in England would be granted relief from paying business rates in the 2020/21 tax year, effective from April 2020. Similar measures (a combination of payment deferrals and relief) were announced by the local governments and assemblies of Scotland, Wales and Northern Ireland, as well as the Republic of Ireland.

In Q4 2020/21, the Group repaid £25m received in the first half of that year under the UK and Republic of Ireland furlough programmes and decided to repay and forego all UK and Republic of Ireland business rates relief for the entire 2020/21 tax year. Kingfisher's total business rates bill eligible for relief in 2020/21 was £105m.

Participation in government support schemes lowered the operating costs of the Group by £45m for the year ended 31 January 2021.

Government grants for the year ended 31 January 2022 lowered the operating costs of the Group by £6m, principally relating to Poland, where national lockdown restrictions resulted in the temporary closure of all stores between 27 March and 3 May 2021.

8 Earnings per share

Pence	2021/22	2020/21
Basic earnings per share	**40.3**	28.1
Effect of dilutive share options	**(0.5)**	(0.2)
Diluted earnings per share	**39.8**	27.9
Basic earnings per share	**40.3**	28.1
Adjusting items before tax	**(2.8)**	1.4
Prior year and other adjusting tax items	**(2.3)**	(0.8)
Adjusted basic earnings per share	**35.2**	28.7
Diluted earnings per share	**39.8**	27.9
Adjusting items before tax	**(2.7)**	1.4
Prior year and other adjusting tax items	**(2.3)**	(0.8)
Adjusted diluted earnings per share	**34.8**	28.5

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 period attributable to equity shareholders of the Company. A reconciliation of statutory earnings to adjusted earnings is set out below:

£ millions	2021/22	2020/21
Earnings	**843**	592
Adjusting items before tax	**(58)**	30
Prior year and other adjusting tax items	**(48)**	(18)
Adjusted earnings	**737**	604

The weighted average number of shares in issue during the period, excluding those held in the Employee Share Ownership Plan Trust (‘ESOP trust’), is set out below:

Weighted average number of shares (millions)	2021/22	2020/21
Basic	**2,092**	2,105
Diluted	**2,116**	2,119

9 Dividends

£ millions	2021/22	2020/21
Dividends paid to equity shareholders of the Company		
Ordinary interim dividend for the year ended 31 January 2021 of 2.75p per share	**58**	–
Ordinary final dividend for the year ended 31 January 2021 of 5.50p per share	**116**	–
Ordinary interim dividend for the year ended 31 January 2022 of 3.80p per share	**80**	–
	254	–

The proposed dividend for the year ended 31 January 2022, 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 2021 and a final dividend of 8.60p.

10 Post-employment benefits

£ millions	UK 2021/22	Overseas 2021/22	Total 2021/22	UK 2020/21	Overseas 2020/21	Total 2020/21
Net surplus/(deficit) in schemes at beginning of year	**504**	**(145)**	**359**	404	(127)	277
Current service cost	**(3)**	**(11)**	**(14)**	(2)	(7)	(9)
Past service cost	**–**	**–**	**–**	(1)	–	(1)
Administration costs	**(3)**	**–**	**(3)**	(3)	–	(3)
Net interest income/(expense)	**8**	**–**	**8**	7	(1)	6
Net remeasurement gains/(losses)	**7**	**14**	**21**	73	(5)	68
Contributions paid by employer	**27**	**3**	**30**	26	3	29
Exchange differences	**–**	**9**	**9**	–	(8)	(8)
Net surplus/(deficit) in schemes at end of year	**540**	**(130)**	**410**	504	(145)	359
Present value of defined benefit obligations	**(2,934)**	**(150)**	**(3,084)**	(3,092)	(165)	(3,257)
Fair value of scheme assets	**3,474**	**20**	**3,494**	3,596	20	3,616
Net surplus/(deficit) in schemes	**540**	**(130)**	**410**	504	(145)	359

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.

During the year the UK scheme purchased an annuity for £902m from a major insurance company. This targeted certain pensioner liabilities, removing the longevity risk associated with these members. Measured against the long-term funding objective that has been agreed between Kingfisher and the Trustee, the transaction generated a funding improvement as well as a significant reduction in funding risk. As the cost of the annuity of £902m was greater than the IAS 19 accounting value of the corresponding liabilities, an asset remeasurement loss of £87m has been recorded in other comprehensive income.

A key assumption in valuing the pension obligations is the discount rate. Accounting standards require this to be set based on market yields on high quality corporate bonds at the balance sheet date. 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.

The principal financial assumptions for the UK scheme are as follows:

Annual % rate	2021/22	2020/21
Discount rate	**2.2**	1.5
Price inflation	**3.5**	2.9

For the UK scheme, the mortality assumptions used 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 assumptions for life expectancy of UK scheme members are as follows:

Years	2021/22	2020/21
Age to which current pensioners are expected to live (60 now)		
- Male	**86.4**	86.5
- Female	**87.3**	87.3
Age to which future pensioners are expected to live (60 in 15 years' time)		
- Male	**87.5**	87.6
- Female	**90.2**	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 0.5%	Decrease/increase by £309m
Price inflation	Increase/decrease by 0.5%	Increase/decrease by £246m
Mortality	Increase/decrease in life expectancy by one year	Increase/decrease by £109m

11 Cash generated by operations

£ millions	2021/22	2020/21
Operating profit	**1,144**	916
Share of post-tax results of joint ventures and associates	**(5)**	(6)
Depreciation and amortisation	**555**	536
Net impairment gains	**(31)**	(7)
Loss/(gain) on disposal of property, plant and equipment, investment property, assets held for sale and intangible assets	**1**	(10)
Loss on disposal of subsidiaries	**–**	49
Lease gains	**(1)**	–
Share-based compensation charge	**27**	14
(Increase)/decrease in inventories	**(359)**	86
(Increase)/decrease in trade and other receivables	**(23)**	17
Increase in trade and other payables	**158**	267
Movement in provisions	**(42)**	(30)
Movement in post-employment benefits	**(13)**	(16)
Cash generated by operations	**1,411**	1,816

12 Net debt

£ millions	2021/22	2020/21
Cash and cash equivalents	**823**	1,142
Bank overdrafts	**(14)**	(6)
Cash and cash equivalents and bank overdrafts	**809**	1,136
Bank loans	**(2)**	(4)
Fixed term debt	–	(93)
Net financing derivatives	**(3)**	(12)
Lease liabilities	**(2,376)**	(2,421)
Net debt	**(1,572)**	(1,394)

£ millions	2021/22	2020/21
Net debt at beginning of year	**(1,394)**	(2,526)
Net (decrease)/increase in cash and cash equivalents and bank overdrafts	**(237)**	881
Repayment of bank loans	**2**	1
Issue of fixed term debt	–	(1,950)
Repayment of fixed term debt	**95**	2,011
Receipt on financing derivatives	–	(1)
Net cash flow	**(140)**	942
Movements in lease liabilities (excluding lease liabilities disposed)	**7**	136
Lease liabilities disposed	–	27
Exchange differences and other non-cash movements	**(45)**	27
Net debt at end of year	**(1,572)**	(1,394)

The Group repaid its €50m and £50m fixed term loans at maturity in September 2021 and December 2021 respectively.

During the prior year the Group repaid a €50m Medium Term Note at its maturity and drew down on and repaid in full the following funds:

- £600m of commercial paper under the Bank of England’s Covid Corporate Financing Facility;
- €600m term facility with three French banks guaranteed at 80% by the French State (Prêt garanti par l’État);
- £775m of the Group’s revolving credit facilities; and
- €50m of temporary borrowing.

13 Contingent liabilities

The Group is subject to claims and litigation arising in the ordinary course of business and provision is made where liabilities are considered likely to arise on the basis of current information and legal advice.

The Group files tax returns in many jurisdictions around the world and at any one time is subject to periodic tax audits in the ordinary course of its business. Applicable tax laws and regulations are subject to differing interpretations and the resolution of a final tax position can take several years to complete. Where it is considered that future tax liabilities are more likely than not to arise, an appropriate provision is recognised in the financial statements.

In October 2017, the European Commission opened a state aid investigation into the Group Financing Exemption section of the UK controlled foreign company rules. While the Group has complied with the requirements of UK tax law in force at the time, in April 2019 the European Commission concluded that aspects of the UK controlled foreign company regime partially constitute state aid. The UK Government and the Group, along with other UK-based international companies, have appealed the European Commission decision to the European Courts.

Notwithstanding these appeals, under EU law, the UK government is required to commence collection proceedings. 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 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.

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.

14 Post balance sheet events

During the period since the balance sheet date, the Group purchased 22 million of the Company's own shares for cancellation at a cost of £69m. This amount was deducted from equity in 2021/22 as a result of an irrevocable closed season buyback agreement which was in place at 31 January 2022.

In February 2022, a payment of €40m was made to the French tax authorities relating to a historic tax liability. This amount was fully provided for at the balance sheet date.

In light of the events in Russia and Ukraine, note that the Group has no material balance sheet exposures to Russia and/or the Russian Rouble following the disposal of the Castorama Russia business in September 2020.