Consolidated income statement
Year ended 31 January 2021

£ millions	Notes	2020/21 Before exceptional adjusting items	2020/21 Exceptional adjusting items (note 4)	2020/21 Total	2019/20 Before exceptional adjusting items	2019/20 Exceptional adjusting items (note 4)	2019/20 Total
Sales	3	**12,343**	**–**	**12,343**	11,513	–	11,513
Cost of sales		**(7,770)**	**–**	**(7,770)**	(7,258)	–	(7,258)
Gross profit		**4,573**	**–**	**4,573**	4,255	–	4,255
Selling and distribution expenses		**(2,843)**	**12**	**(2,831)**	(2,772)	(398)	(3,170)
Administrative expenses		**(809)**	**(6)**	**(815)**	(790)	(51)	(841)
Other income		**19**	**13**	**32**	21	15	36
Other expenses		**–**	**(49)**	**(49)**	–	–	–
Share of post-tax results of joint ventures and associates		**6**	**–**	**6**	3	–	3
Operating profit	3	**946**	**(30)**	**916**	717	(434)	283
Finance costs		**(180)**	**–**	**(180)**	(191)	(7)	(198)
Finance income		**20**	**–**	**20**	18	–	18
Net finance costs	5	**(160)**	**–**	**(160)**	(173)	(7)	(180)
Profit before taxation		**786**	**(30)**	**756**	544	(441)	103
Income tax expense	6	**(161)**	**(3)**	**(164)**	(136)	41	(95)
Profit for the year		**625**	**(33)**	**592**	408	(400)	8

		2020/21	2019/20
Earnings per share	8		
Basic		**28.1p**	0.4p
Diluted		**27.9p**	0.4p
Adjusted basic		**28.7p**	19.1p
Adjusted diluted		**28.5p**	19.0p

The proposed dividend for the year ended 31 January 2021, subject to approval by shareholders at the Annual General Meeting, is 8.25p per share, comprising an interim dividend of 2.75p in respect of the six months ended 31 July 2020 and a final dividend of 5.50p.

Consolidated statement of comprehensive income
Year ended 31 January 2021

£ millions	Notes	2020/21	2019/20
Profit for the year		**592**	8
Remeasurements of post-employment benefits	10	**68**	42
Inventory cash flow hedges – fair value (losses)/gains		**(48)**	20
Tax on items that will not be reclassified		**(13)**	(24)
Total items that will not be reclassified subsequently to profit or loss		**7**	38
Currency translation differences			
Group		**112**	(134)
Joint ventures and associates		**(2)**	(1)
Transferred to income statement	14	**49**	–
Other cash flow hedges			
Fair value gains/(losses)		**5**	(3)
(Gains)/losses transferred to income statement		**(5)**	3
Total items that may be reclassified subsequently to profit or loss		**159**	(135)
Other comprehensive income/(loss) for the year		**166**	(97)
Total comprehensive income/(loss) for the year		**758**	(89)

Consolidated statement of changes in equity
Year ended 31 January 2021

£ millions	Notes	Share capital	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves	Total equity
								2020/21
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**

£ millions	Notes	Share capital	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves	Total equity
								2019/20
At 1 February 2019		332	2,228	(25)	3,192	43	379	6,149
Profit for the year		–	–	–	8	–	–	8
Other comprehensive income/(loss) for the year		–	–	–	22	–	(119)	(97)
Total comprehensive income/(loss) for the year		–	–	–	30	–	(119)	(89)
Inventory cash flow hedges - gains transferred to inventories		–	–	–	–	–	(40)	(40)
Share-based compensation		–	–	–	11	–	–	11
Own shares issued under share schemes		–	–	12	(12)	–	–	–
Purchase of own shares for ESOP trust		–	–	(10)	–	–	–	(10)
Dividends	9	–	–	–	(227)	–	–	(227)
Tax on equity items		–	–	–	–	–	8	8
At 31 January 2020		332	2,228	(23)	2,994	43	228	5,802

Consolidated balance sheet
At 31 January 2021

£ millions	Notes	2020/21	2019/20 restated (note 2)	2018/19 restated (note 2)
Non-current assets				
Goodwill		**2,427**	2,416	2,436
Other intangible assets		**320**	339	371
Property, plant and equipment		**3,075**	2,988	3,302
Investment property		**20**	8	8
Right-of-use assets		**1,845**	1,916	2,017
Investments in joint ventures and associates		**20**	16	15
Post-employment benefits	10	**504**	404	320
Deferred tax assets		**15**	12	13
Other tax authority asset		**57**	–	–
Other receivables		**29**	27	41
		8,312	8,126	8,523
Current assets				
Inventories		**2,488**	2,485	2,574
Trade and other receivables		**290**	293	406
Derivative assets		**5**	14	26
Current tax assets		**20**	9	1
Cash and cash equivalents		**1,142**	790	850
Assets held for sale		**12**	196	89
		3,957	3,787	3,946
Total assets		**12,269**	11,913	12,469
Current liabilities				
Trade and other payables		**(2,520)**	(2,210)	(2,415)
Borrowings		**(101)**	(644)	(622)
Lease liabilities		**(330)**	(306)	(308)
Derivative liabilities		**(59)**	(43)	(21)
Current tax liabilities		**(70)**	(78)	(118)
Other tax authority liability		**(57)**	–	–
Provisions		**(46)**	(65)	(27)
Liabilities directly associated with assets held for sale		**–**	(88)	–
		(3,183)	(3,434)	(3,511)
Non-current liabilities				
Other payables		**(11)**	(5)	(6)
Borrowings		**(2)**	(93)	(139)
Lease liabilities		**(2,091)**	(2,221)	(2,318)
Derivative liabilities		**(1)**	(3)	(2)
Deferred tax liabilities		**(232)**	(189)	(192)
Provisions		**(33)**	(39)	(37)
Post-employment benefits	10	**(145)**	(127)	(115)
		(2,515)	(2,677)	(2,809)
Total liabilities		**(5,698)**	(6,111)	(6,320)
Net assets		**6,571**	5,802	6,149
Equity				
Share capital		**332**	332	332
Share premium		**2,228**	2,228	2,228
Own shares held in ESOP trust		**(23)**	(23)	(25)
Retained earnings		**3,630**	2,994	3,192
Capital redemption reserve		**43**	43	43
Other reserves		**361**	228	379
Total equity		**6,571**	5,802	6,149

The financial statements were approved by the Board of Directors on 21 March 2021 and signed on its behalf by:

Thierry Garnier
Chief Executive Officer

Bernard Bot
Chief Financial Officer

Consolidated cash flow statement

Year ended 31 January 2021

£ millions	Notes	2020/21	2019/20
Operating activities			
Cash generated by operations	11	**1,816**	1,052
Income tax paid		**(166)**	(155)
Net cash flows from operating activities		**1,650**	897
Investing activities			
Purchase of property, plant and equipment and intangible assets		**(281)**	(342)
Disposal of property, plant and equipment, investment property, assets held for sale and intangible assets		**48**	188
Purchase of businesses, net of cash acquired	13	**(8)**	–
Disposal of businesses, net of cash disposed	14	**27**	–
Interest received		**4**	12
Interest element of lease rental receipts		**2**	1
Principal element of lease rental receipts		**3**	5
Advance payments on right-of-use assets		**(2)**	(3)
Dividends received from joint ventures and associates		**–**	1
Net cash flows used in investing activities		**(207)**	(138)
Financing activities			
Interest paid		**(26)**	(35)
Interest element of lease rental payments		**(153)**	(165)
Principal element of lease rental payments		**(309)**	(319)
Repayment of bank loans		**(1)**	(1)
Issue of fixed term debt		**1,950**	–
Repayment of fixed term debt		**(2,011)**	–
Receipt on financing derivatives		**1**	–
New shares issued under share schemes		**1**	–
Purchase of own shares for ESOP trust		**(14)**	(10)
Ordinary dividends paid to equity shareholders of the Company		**–**	(227)
Net cash flows from financing activities		**(562)**	(757)
Net increase in cash and cash equivalents and bank overdrafts		**881**	2
Cash and cash equivalents and bank overdrafts at beginning of year		**195**	229
Exchange differences		**60**	(36)
Cash and cash equivalents and bank overdrafts at end of year	12	**1,136**	195

Cash and cash equivalents at the end of the year include £nil of cash included within assets held for sale on the balance sheet (2019/20: £6m).

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 2021 ('the year' or '2020/21'). The comparative financial year is the year ended 31 January 2020 ('the prior year' or '2019/20').

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 2021, but are derived from those statements. Statutory financial statements for 2019/20 have been filed with the Registrar of Companies and those for 2020/21 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 2020/21 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) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements have also been prepared in accordance with International Financial Reporting 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 2021.

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 Directors no longer consider going concern to be a critical accounting judgement as was previously disclosed in the prior year financial statements for the year ended 31 January 2020 and interim financial statements for the half year ended 31 July 2020. In determining that going concern is no longer a critical accounting judgement the Directors have taken into account the significantly reduced level of uncertainty based on the prolonged period of very positive trading and strong financial performance under social distancing provisions (resulting in LFL sales up 7.1% for the year), the continuing categorisation of the group's activities as 'essential' in its largest markets, the strong liquidity position of the Group and the progress on the Powered by Kingfisher strategy during the year within this environment.

The new financial year has started positively, reflecting continued strong demand across all our banners (Q1 2021/22 Group LFL sales (to 18 March 2021) up 24.2%). While the exceptional demand we have seen since early May 2020 may moderate, the COVID crisis has established longer term trends that are clearly supportive for our industry – including more working from home, the renewed importance of the home, both as a 'hub' and for general comfort and wellness, and the development of a new generation of DIY'ers.

As of 18 March 2021, Kingfisher had access to over £2.2bn of liquidity comprising cash and cash equivalents (net of bank overdrafts) of over £1.4bn and access to undrawn Revolving Credit Facilities (RCFs) of £225m (expiring at the end of March 2022, not forecast to be utilised with the continuing requirement to be addressed during the next 12 months) and £550m (most of which is due to expire in August 2023), totalling £775m. The ratio of net debt to EBITDA on an IFRS 16 basis was 0.9 as of 31 January 2021. To facilitate additional liquidity headroom during this current period of heightened uncertainty, the ratio is expected to be lower than 2.0 in the short term.

Considering whether the Group's accounts 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 exceptionally 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-19 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 base case expected forecast. The total loss of sales in this scenario is c.£1.9bn (21% 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. 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 2020, as described in note 2 of those financial statements, except where set out below.

Government grant income is recognised in the Income Statement over the periods necessary to match the benefit of the credit with the costs for which it is intended to compensate. The grant is only recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received. Grant income is recorded as a deduction to the related expense, where the expense has been incurred in the same period as the grant income received.

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 2020, as described in note 3 of those financial statements, except where set out below.

Lease liability discount rates has been removed as a critical accounting judgement following completion of the adoption of IFRS 16 'Leases'. This was added as a critical accounting judgement in the 2019/20 financial statements due to the significance of the liabilities (and corresponding right-of-use assets) which were brought on to the balance sheet on transition. This is no longer considered as a critical accounting judgement following the completion of the transition.

Going concern has been removed as a critical accounting judgement. Refer to the going concern section above.

New and amended accounting standards

New standards, amendments and interpretations are in issue and effective for the Group's financial year ended 31 January 2021, but they do not have a material impact on the consolidated financial statements.

Restatement of prior periods

Within the year, it was determined that the Group's cash and overdraft balances within notional cash pooling arrangements did not meet the requirements for offsetting in accordance with IAS 32: 'Financial Instruments: Presentation' and therefore should not be presented on a net basis on the balance sheet. For presentational purposes, amounts at 31 January 2020 have been restated in accordance with IAS 8: 'Accounting Policies, Changes in Accounting Policies and Errors' with an additional £601m (31 January 2019: £621m) within borrowings and cash balances increased by an equal amount. There is no impact on net assets or net profit.

Principal rates of exchange against Sterling

		2020/21		2019/20
	Average rate	Year end rate	Average rate	Year end rate
Euro	**1.12**	**1.13**	1.14	1.19
US Dollar	**1.29**	**1.37**	1.28	1.32
Polish Zloty	**5.00**	**5.11**	4.91	5.11
Romanian Leu	**5.43**	**5.50**	5.44	5.69
Russian Rouble	**92.43***	**103.99**	82.13	84.48

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

Exceptional 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. The principal items which are included as exceptional adjusting items are:

- non-trading items included in operating profit such as profits and losses on the disposal, closure, exit or impairment of subsidiaries, joint ventures, associates and investments which do not form part of the Group's ongoing trading activities;
- profits and losses on the disposal of properties and significant write-downs of goodwill and significant write-downs (or impairment reversals) of other assets;
- the costs of significant restructuring and incremental acquisition integration costs; and
- significant one-off tax settlements and provision charges/releases and the tax effects of other exceptional adjusting items.

The term 'adjusted' refers to the relevant measure being reported for continuing operations excluding exceptional adjusting items, financing fair value remeasurements, related tax items and prior year tax items (including the impact of changes in tax rates on deferred tax). Financing fair value remeasurements represent changes in the fair value of financing derivatives, excluding interest accruals, offset by fair value adjustments to the carrying amount of borrowings and other hedged items under fair value hedge relationships. Financing derivatives are those that relate to hedged items of a financing nature.

The adjusted effective tax rate is calculated as continuing income tax expense excluding exceptional adjusting tax items and adjustments in respect of prior years and the impact of changes in tax rates on deferred tax, divided by continuing profit before taxation excluding exceptional adjusting items. The exclusion of items relating to prior years, and those not in the ordinary course of business, helps provide an 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.

3 Segmental analysis

Income statement

						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)**
Exceptional adjusting items						**(30)**
Operating profit						**916**
Net finance costs						**(160)**
Profit before taxation						**756**

						2019/20
	UK & Ireland	France	Poland	Other	Other International	Total
Sales	5,112	4,082	1,461	858	2,319	11,513
Retail profit/(loss)	499	164	151	(28)	123	786
Central costs						(62)
Share of interest and tax of joint ventures and associates						(7)
Exceptional adjusting items						(434)
Operating profit						283
Net finance costs						(180)
Profit before taxation						103

The operating segments disclosed above are based on the information reported internally to the Board of Directors and Group Executive, representing the geographical areas in which the Group operates. The Group only has one business segment, being the supply of home improvement products and services. The majority of the sales in each geographical area are derived from in-store sales of products.

The ‘Other International’ segment consists of Poland, Iberia, Russia, Romania, NeedHelp, the Group’s joint venture Koçtaş in Turkey and, in the prior year, Germany. Poland has been shown separately due to its significance. The Castorama Russia business was disposed of on 30 September 2020 (see note 14). The Group has no remaining trading operations in Russia following this disposal.

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

4 Exceptional adjusting items

£ millions	2020/21	2019/20
Included within selling and distribution expenses		
Impairments of Russia assets and other exit costs	**(27)**	(130)
Net store asset impairment reversals/(charges)	**42**	(118)
IT asset write-downs and related costs	**(3)**	(44)
UK & Ireland and continental Europe restructuring	–	(67)
Impairments of Romania assets	–	(39)
	12	(398)
Included within administrative expenses		
Commercial operating model restructuring	**(16)**	–
Release of B&Q China disposal warranty liability	**10**	–
Transformation exceptional costs	**–**	(8)
Penalties on French Tax Authority settlement	**–**	(17)
France business tax	**–**	(26)
	(6)	(51)
Included within other income/(expenses)		
Profit on disposal of properties	**13**	15
Loss on disposal of Castorama Russia	**(49)**	–
	(36)	15
Included within net finance costs		
Interest on French Tax Authority settlement	**–**	(7)
	–	(7)
Exceptional adjusting items before tax	**(30)**	(441)
French Tax Authority settlement	**–**	(51)
Other exceptional adjusting tax items	**(3)**	92
Exceptional adjusting items	**(33)**	(400)

Exceptional costs (pre-disposal) of £27m have been recognised in the current year relating to the exit of Russia, predominately attributable to additional impairments that reflected the performance during the year and the anticipated net proceeds under the planned sale. The decision to exit Russia was announced in November 2018 and the business was classified as held for sale in January 2020.

The disposal of the Castorama Russia business was completed in September 2020, resulting in a loss on disposal of £49m. This principally related to the transfer of cumulative foreign exchange losses previously recorded in the translation reserve and arising on consolidation from the retranslation of the Group's net investment in Castorama Russia. See note 14 for further details.

Revised future store performance projections, reflecting the Group's 'Powered by Kingfisher' strategy and judgements on the sustainable benefits of the Covid-19 pandemic on the market for home improvement products and services, have resulted in net store asset impairment reversals of £42m. These predominately comprised reversals of impairment charges recorded in 2019/20.

IT asset write-downs and related costs of £3m in the current year relate to additional impairments of digital tools for which no further development is currently planned.

In September 2020, the Group commenced formal consultation with employee representatives regarding its proposal to implement a new commercial operating model. Exceptional costs of £16m have been recorded, predominately related to redundancy costs.

A £14m liability that was held in relation to warranties as part of the B&Q China disposal in 2014 has been released in the year following the expiry of the warranty claims period. Of this amount, a £10m credit has been recognised within administrative expenses and a £4m credit recognised within other exceptional adjusting tax items.

In August 2020, the Group completed the disposal of a UK freehold property on a sale and leaseback basis, generating cash proceeds of £38m and a profit on disposal of £13m.

Refer to note 5 of the 2019/20 annual accounts for further details on exceptional adjusting items for the year ended 31 January 2020.

5 Net finance costs

£ millions	2020/21	2019/20
Bank overdrafts and bank loans	**(13)**	(22)
Fixed term debt	**(14)**	(4)
Lease liabilities	**(153)**	(165)
Capitalised interest	**2**	3
Other interest payable	**(2)**	(3)
Exceptional interest on French Tax Authority settlement	**–**	(7)
Finance costs	**(180)**	(198)
Cash and cash equivalents and short-term deposits	**3**	10
Net interest income on defined benefit pension schemes	**6**	7
Finance lease income	**2**	1
Release of liability for interest on uncertain tax positions	**9**	–
Finance income	**20**	18
Net finance costs	**(160)**	(180)

6 Income tax expense

£ millions	2020/21	2019/20
UK corporation tax		
Current tax on profits for the year	**(102)**	(57)
Adjustments in respect of prior years	**10**	(5)
	(92)	(62)
Overseas tax		
Current tax on profits for the year	**(61)**	(46)
Adjustments in respect of prior years	**5**	(6)
	(56)	(52)
Current tax	**(148)**	(114)
Deferred tax		
Current year	**(26)**	20
Adjustments in respect of prior years	**2**	–
Adjustments in respect of changes in tax rates	**8**	(1)
Deferred tax	**(16)**	19
Income tax expense	**(164)**	(95)

The adjusted effective tax rate, based on profit before exceptional adjusting items and excluding prior year tax adjustments and the impact of changes in tax rates on deferred tax, is 23% (2019/20: 26%). Exceptional adjusting tax items for the year amount to a net charge of £3m, with a £4m credit relating to prior year items (2019/20: £41m net credit, with a £20m charge relating to prior year items).

7 Government grants

From mid-March 2020, 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, reducing to c.10% by the end of May 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. From this date the Group decided to no longer claim under the furlough programmes in the UK, Republic of Ireland and France. In Q4 2020/21, the Group repaid £25m received in the first half of the year under the UK and Republic of Ireland furlough programmes. Participation in these schemes, after amounts repaid, has lowered the operating costs of the Group by £45m (2019/20: £nil) in the year.

The UK government announced in March 2020 that retail premises in England would be granted a relief from paying business rates in the 2020/21 tax year, effective from April. 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. Kingfisher's total business rates bill eligible for relief in FY 20/21 was £105m, of which £42m was claimed in H1 2020/21. In December, the Group decided to repay this and forego all UK and Republic of Ireland business rates relief for the entire 2020/21 tax year.

Refer to note 12 for details of government financing support received and fully repaid in the year.

8 Earnings per share

	2020/21			2019/20		
	Earnings £ millions	Weighted average number of shares millions	Earnings per share pence	Earnings £ millions	Weighted average number of shares millions	Earnings per share pence
Basic earnings per share	**592**	**2,105**	**28.1**	8	2,101	0.4
Effect of dilutive share options	–	**14**	**(0.2)**	–	13	–
Diluted earnings per share	**592**	**2,119**	**27.9**	8	2,114	0.4
Basic earnings per share	**592**	**2,105**	**28.1**	8	2,101	0.4
Exceptional adjusting items	**33**		**1.6**	400		19.1
Prior year tax items	**(21)**		**(1.0)**	(8)		(0.4)
Adjusted basic earnings per share	**604**	**2,105**	**28.7**	400	2,101	19.1
Diluted earnings per share	**592**	**2,119**	**27.9**	8	2,114	0.4
Exceptional adjusting items	**33**		**1.6**	400		19.0
Prior year tax items	**(21)**		**(1.0)**	(8)		(0.4)
Adjusted diluted earnings per share	**604**	**2,119**	**28.5**	400	2,114	19.0

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.

9 Dividends

£ millions	2020/21	2019/20
Dividends paid to equity shareholders of the Company		
Ordinary interim dividend for the year ended 31 January 2021 of nil per share (year ended 31 January 2020: 3.33p per share)	**–**	70
Ordinary final dividend for the year ended 31 January 2020 of nil per share (year ended 31 January 2019: 7.49p per share)	**–**	157
	–	227

The proposed dividend for the year ended 31 January 2021, subject to approval by shareholders at the Annual General Meeting, is 8.25p per share, comprising an interim dividend of 2.75p in respect of the six months ended 31 July 2020 and a final dividend of 5.50p.

10 Post-employment benefits

£ millions	UK	Overseas	2020/21 Total	UK	Overseas	2019/20 Total
Net surplus/(deficit) in schemes at beginning of year	**404**	**(127)**	**277**	320	(115)	205
Current service cost	**(2)**	**(7)**	**(9)**	(2)	(8)	(10)
Past service cost	**(1)**	–	**(1)**	–	–	–
Administration costs	**(3)**	–	**(3)**	(3)	–	(3)
Net interest income/(expense)	**7**	**(1)**	**6**	8	(1)	7
Net remeasurement gains/(losses)	**73**	**(5)**	**68**	51	(9)	42
Contributions paid by employer	**26**	**3**	**29**	30	2	32
Exchange differences	–	**(8)**	**(8)**	–	4	4
Net surplus/(deficit) in schemes at end of year	**504**	**(145)**	**359**	404	(127)	277
Present value of defined benefit obligations	**(3,092)**	**(165)**	**(3,257)**	(3,114)	(147)	(3,261)
Fair value of scheme assets	**3,596**	**20**	**3,616**	3,518	20	3,538
Net surplus/(deficit) in schemes	**504**	**(145)**	**359**	404	(127)	277

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.

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	2020/21	2019/20
Discount rate	**1.5**	1.6
Price inflation	**2.9**	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	2020/21	2019/20
Age to which current pensioners are expected to live (60 now)		
- Male	**86.5**	86.4
- Female	**87.3**	87.2
Age to which future pensioners are expected to live (60 in 15 years' time)		
- Male	**87.6**	87.5
- Female	**90.2**	90.1

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 £328m
Price inflation	Increase/decrease by 0.5%	Increase/decrease by £261m
Mortality	Increase in life expectancy by one year	Increase by £116m

11 Cash generated by operations

£ millions	2020/21	2019/20
Operating profit	**916**	283
Share of post-tax results of joint ventures and associates	**(6)**	(3)
Depreciation and amortisation	**536**	545
Net impairment (gains)/losses	**(7)**	315
Gain on disposal of property, plant and equipment, investment property, assets held for sale and intangible assets	**(10)**	(15)
Loss on disposal of subsidiaries	**49**	–
Lease gains	–	(5)
Share-based compensation charge	**14**	11
Decrease/(increase) in inventories	**86**	(65)
Decrease in trade and other receivables	**17**	53
Increase/(decrease) in trade and other payables	**267**	(91)
Movement in provisions	**(30)**	43
Movement in post-employment benefits	**(16)**	(19)
Cash generated by operations	**1,816**	1,052

12 Net debt

£ millions	2020/21	2019/20 restated (note 2)
Cash and cash equivalents	**1,142**	790
Cash and cash equivalents held for sale	–	6
Bank overdrafts	**(6)**	(601)
Cash and cash equivalents and bank overdrafts	**1,136**	195
Bank loans	**(4)**	(3)
Fixed term debt	**(93)**	(133)
Net financing derivatives	**(12)**	(22)
Lease liabilities	**(2,421)**	(2,527)
Lease liabilities held for sale	–	(36)
Net debt	**(1,394)**	(2,526)

£ millions	2020/21	2019/20
Net debt at beginning of year	**(2,526)**	(2,542)
Net increase in cash and cash equivalents and bank overdrafts	**881**	2
Repayment of bank loans	**1**	1
Issue of fixed term debt	**(1,950)**	–
Repayment of fixed term debt	**2,011**	–
Receipt on financing derivatives	**(1)**	–
Net cash flow	**942**	3
Lease liabilities disposed	**27**	–
Other movements in lease liabilities	**136**	40
Exchange differences and other non-cash movements	**27**	(27)
Net debt at end of year	**(1,394)**	(2,526)

In July 2020 Kingfisher repaid a €50m Medium Term Note at its maturity.

During the year the Group 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 Acquisitions

In November 2020, the Group completed the acquisition of NeedHelp (We Share Trust SAS), one of Europe's leading home improvement services marketplaces, for a purchase price of £9m (before cash acquired of £1m). As part of the transaction, the founder of NeedHelp has reinvested proceeds from the sale in a 20% interest in the business, resulting in Kingfisher owning 80%.

NeedHelp is an innovative B2B2C online platform that connects customers who need home improvement help, either in-store or online, with vetted professional tradespeople and other skilled experts. Goodwill of £9m was recognised on acquisition of the business, with the acquisition representing an important step forward for one of the Group's key priorities under its recently announced 'Powered by Kingfisher' strategy: to build a mobile-first and service-orientated customer experience.

14 Disposals

On 30 September 2020, the Group disposed of its 100% interest in the Castorama Russia (Castorama RUS LLC) business to Maxidom for a gross consideration of £72m, of which £57m was received during the year, with the remaining £15m to be received in equal instalments over the next two years. Castorama Russia has not been classified as a discontinued operation as it does not represent a major operation for the Group.

The loss on disposal of £49m is analysed as follows:

£ millions	
Proceeds	**72**
Net assets disposed (see below)	**(63)**
Transaction costs, warranties and indemnities	**(9)**
Loss on disposal before cumulative exchange losses	**–**
Cumulative exchange losses transferred from translation reserve	**(49)**
Exceptional adjusting loss on disposal	**(49)**

The current year net cashflow effect of the disposal is analysed as follows:

£ millions	
Cash proceeds	**57**
Cash disposed	**(27)**
Transaction costs paid	**(3)**
Net disposal proceeds received	**27**

The major classes of assets and liabilities disposed are as follows:

£ millions	
Property, plant & equipment	**34**
Right-of-use assets	**9**
Inventories	**55**
Trade and other receivables	**8**
Cash	**27**
Trade and other payables	**(43)**
Lease liabilities	**(27)**
Net assets disposed	**63**

15 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 liability 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 is included in current liabilities. The Group has appealed against the notice but as there is no right of postponement, the amount charged was paid in February 2021.

The final impact on the Group remains uncertain but based upon advice taken, the Group considers that no liability is required at this time and, consequently, £57m is included in non-current assets to reflect the Group’s view that the amount paid will ultimately be recovered.

The Group estimates that compound interest of £6m will be due, resulting in a maximum exposure of £63m if all appeals against the position are unsuccessful.

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, other than the state aid case described above, the Group does not currently expect the outcome of these contingent liabilities to have a material effect on the Group’s financial position.

16 Post balance sheet events

In February 2021, the Group paid £57m in relation to the charging notice received from HMRC in respect of the European Commission state aid investigation. Refer to note 15.

In February 2021, the Group cancelled its £250m Revolving Credit Facility (RCF), which was due to expire in May 2021.