Consolidated income statement
Year ended 31 January 2023

		2022/23			2021/22		
£ millions	Notes	Before adjusting items	Adjusting items (note 4)	Total	Before adjusting items	Adjusting items (note 4)	Total
Sales	3	**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		**5**	**–**	**5**	5	–	5
Operating profit	3	**870**	**(147)**	**723**	1,086	58	1,144
Finance costs		**(129)**	**–**	**(129)**	(148)	–	(148)
Finance income		**17**	**–**	**17**	11	–	11
Net finance costs	5	**(112)**	**–**	**(112)**	(137)	–	(137)
Profit before taxation		**758**	**(147)**	**611**	949	58	1,007
Income tax expense	6	**(169)**	**29**	**(140)**	(212)	48	(164)
Profit for the year		**589**	**(118)**	**471**	737	106	843

Earnings per share	7		
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	9	**(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	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves	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		**–**	**–**	**–**	**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		**(21)**	**–**	**–**	**(275)**	**21**	**–**	**(275)**
Dividends	8	**–**	**–**	**–**	**(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	Share premium	Own shares held	Retained earnings	Capital redemption reserve	Other reserves	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		–	–	–	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	8	–	–	–	(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		**2,408**	2,424
Other intangible assets		**371**	330
Property, plant and equipment		**3,205**	3,078
Investment property		**30**	33
Right-of-use assets		**1,947**	1,885
Investments in joint ventures and associates		**30**	17
Post-employment benefits	9	**251**	540
Deferred tax assets		**16**	10
Other tax authority asset		**64**	64
Derivative assets		**–**	1
Other receivables		**19**	22
		8,341	8,404
Current assets			
Inventories		**3,070**	2,749
Trade and other receivables		**347**	300
Derivative assets		**16**	37
Current tax assets		**40**	33
Cash and cash equivalents		**286**	823
Assets held for sale		**3**	6
		3,762	3,948
Total assets		**12,103**	12,352
Current liabilities			
Trade and other payables		**(2,483)**	(2,674)
Borrowings		**(16)**	(14)
Lease liabilities		**(343)**	(347)
Derivative liabilities		**(47)**	(12)
Current tax liabilities		**–**	(46)
Provisions		**(10)**	(23)
		(2,899)	(3,116)
Non-current liabilities			
Other payables		**(4)**	(10)
Borrowings		**(102)**	(2)
Lease liabilities		**(2,101)**	(2,029)
Derivative liabilities		**(5)**	(1)
Deferred tax liabilities		**(205)**	(276)
Provisions		**(10)**	(10)
Post-employment benefits	9	**(114)**	(130)
		(2,541)	(2,458)
Total liabilities		**(5,440)**	(5,574)
Net assets		**6,663**	6,778
Equity			
Share capital		**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		**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	10	**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		**(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	8	**(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	11	**270**	809

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 One Paddington Square, London, W2 1GG.

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 2023 ('the year' or '2022/23'). The comparative financial year is the year ended 31 January 2022 ('the prior year' or '2021/22').

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 2023, but are derived from those statements. Statutory financial statements for 2021/22 have been filed with the Registrar of Companies and those for 2022/23 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 2022/23 statutory financial statements, which have been prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs). 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 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 condensed consolidated financial statements for the year ended 31 January 2023.

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 the going concern assessment. Further details, including the analysis performed and conclusions reached, are set out below.

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 to 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.

Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 January 2022, as described in note 2 of those financial statements, except where set out below.

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.

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 2022, 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 2023, but they do not have a material impact on the consolidated financial statements.

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 FY 2022/23 Turkish Lira average exchange rate represents the closing rate for the year, due to the application of hyperinflation accounting in Turkey.*

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.

3 Segmental analysis

Income statement

						2022/23
	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
	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

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.

4 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.

5 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)

6 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)

The adjusted effective tax rate on profit before adjusting items is 22% (2021/22: 22%). The adjusted effective tax rate calculation is set out in the Financial Review in part 1 of this announcement.

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.

7 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

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

8 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.

9 Post-employment benefits

	2022/23			2021/22		
£ millions	UK	Overseas	Total	UK	Overseas	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
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

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 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.

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	2022/23	2021/22
Discount rate	**4.50**	2.20
Price inflation	**3.25**	3.50

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	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
Mortality	Increase/decrease in life expectancy by one year	Increase/decrease by £74m

10 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, investment property, assets held for sale and intangible assets	**–**	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

11 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 cash flow	**(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)

12 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.

13 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.