Consolidated income statement

For the financial year ended 3 February 2007

£ millions	Notes	**Before exceptional items 2007**	**Exceptional items (note 3) 2007**	**Total 2007**	Before exceptional items 2006	Exceptional items (note 3) 2006	Total 2006
Continuing operations							
Revenue	2	**8,675.9**	**-**	**8,675.9**	8,010.1	-	8,010.1
Cost of sales		**(5,623.7)**	**-**	**(5,623.7)**	(5,165.1)	(7.9)	(5,173.0)
Gross profit		**3,052.2**	**-**	**3,052.2**	2,845.0	(7.9)	2,837.1
Selling and distribution expenses		**(2,207.3)**	**-**	**(2,207.3)**	(2,005.0)	(181.0)	(2,186.0)
Administrative expenses		**(433.7)**	**-**	**(433.7)**	(390.7)	(26.4)	(417.1)
Other income		**23.7**	**49.5**	**73.2**	24.2	18.9	43.1
Other expenses		**-**	**-**	**-**	-	(19.0)	(19.0)
Share of post tax results of joint ventures and associates		**16.9**	**-**	**16.9**	11.4	-	11.4
Operating profit	2	**451.8**	**49.5**	**501.3**	484.9	(215.4)	269.5
Analysed as:							
Retail profit before central costs		**503.7**	**49.5**	**553.2**	533.1	(219.1)	314.0
Central costs		**(39.1)**	**-**	**(39.1)**	(37.8)	3.7	(34.1)
Amortisation of acquisition intangibles		**(0.3)**	**-**	**(0.3)**	(0.1)	-	(0.1)
Share of interest and taxation of joint ventures and associates		**(12.5)**	**-**	**(12.5)**	(10.3)	-	(10.3)
Total finance costs		**(75.6)**	**-**	**(75.6)**	(51.6)	-	(51.6)
Total finance income		**24.8**	**-**	**24.8**	13.9	-	13.9
Net finance costs	4	**(50.8)**	**-**	**(50.8)**	(37.7)	-	(37.7)
Profit before taxation		**401.0**	**49.5**	**450.5**	447.2	(215.4)	231.8
Income tax expense	5	**(119.4)**	**7.3**	**(112.1)**	(161.6)	68.8	(92.8)
Profit for the year		**281.6**	**56.8**	**338.4**	285.6	(146.6)	139.0
Attributable to:							
Equity shareholders of the parent				**336.8**			139.5
Minority interests				**1.6**			(0.5)
				338.4			139.0
Earnings per share (pence)	6						
Basic				**14.4p**			6.0p
Diluted				**14.4p**			6.0p
Adjusted (basic)				**11.9p**			12.3p

The proposed final dividend for the financial year ended 3 February 2007, subject to approval by shareholders at the Annual General Meeting, amounts to £161.8m.

Consolidated statement of recognised income and expense

For the financial year ended 3 February 2007

£ millions	Notes	**2007**	2006
Actuarial gains/(losses) on post employment benefits	9	**95.3**	(45.6)
Currency translation differences	9	**(70.9)**	28.4
Cash flow hedges			
Fair value (losses)/gains	9	**(9.1)**	7.5
Losses transferred to inventories	9	**3.1**	0.5
Tax on items recognised directly in equity	9	**(30.1)**	20.1
Net (expense)/income recognised directly in equity		**(11.7)**	10.9
Profit for the year		**338.4**	139.0
Total recognised income for the year		**326.7**	149.9
Attributable to:			
Equity shareholders of the parent		**325.1**	149.4
Minority interests		**1.6**	0.5
		326.7	149.9

Consolidated balance sheet

As at 3 February 2007

£ millions	Notes	2007	2006
Non-current assets			
Goodwill		**2,551.5**	2,558.8
Intangible assets		**89.5**	101.7
Property, plant and equipment		**3,210.5**	3,265.0
Investment property		**29.4**	15.3
Investments accounted for using equity method		**184.9**	185.0
Deferred tax assets		**30.2**	-
Other receivables		**46.6**	51.7
		6,142.6	6,177.5
Current assets			
Inventories		**1,531.0**	1,355.3
Trade and other receivables		**505.4**	570.6
Current tax assets		**14.6**	20.7
Available for sale financial assets		**28.4**	-
Cash and cash equivalents	11	**394.5**	234.1
		2,473.9	2,180.7
Total assets		**8,616.5**	8,358.2
Current liabilities			
Short-term borrowings		**(241.0)**	(346.8)
Trade and other payables		**(1,958.3)**	(1,750.8)
Provisions		**(56.3)**	(46.6)
Current tax liabilities		**(86.9)**	(77.0)
		(2,342.5)	(2,221.2)
Net current assets/(liabilities)		**131.4**	(40.5)
Total assets less current liabilities		**6,274.0**	6,137.0
Non-current liabilities			
Long-term borrowings		**(1,431.7)**	(1,255.5)
Other payables		**(50.8)**	(5.7)
Provisions		**(53.2)**	(111.4)
Deferred tax liabilities		**(262.7)**	(204.4)
Post employment benefits	8	**(54.6)**	(239.6)
		(1,853.0)	(1,816.6)
Total liabilities		**(4,195.5)**	(4,037.8)
Net assets		**4,421.0**	4,320.4
Equity			
Share capital		**370.7**	369.8
Share premium		**2,185.2**	2,175.3
Treasury shares		**(81.3)**	(95.1)
Reserves	9	**1,939.9**	1,861.0
Minority interests		**6.5**	9.4
Total equity		**4,421.0**	4,320.4

Consolidated cash flow statement

For the financial year ended 3 February 2007

£ millions	Notes	**2007**	2006
Net cash flows from operating activities	10	**559.4**	304.1
Cash flows from investing activities			
Purchase of subsidiary and business undertakings, net of cash acquired		**(2.2)**	(161.0)
Purchase of associates and joint ventures		**-**	(2.2)
Payments to acquire property, plant and equipment and investment property		**(438.6)**	(435.3)
Payments to acquire intangible assets		**(28.3)**	(71.7)
Receipts from sale of property, plant and equipment and investment property		**251.0**	111.2
Receipts from sale of intangible assets		**0.1**	0.4
Receipts from sale of available for sale financial assets		**0.4**	3.6
Increase in available for sale financial assets		**(29.3)**	-
Dividends received from joint ventures and associates		**5.1**	4.9
Net cash used in investing activities		**(241.8)**	(550.1)
Cash flows from financing activities			
Interest paid		**(70.3)**	(39.3)
Interest element of finance lease rental payments		**(5.8)**	(6.6)
Interest received		**18.5**	10.9
Proceeds from issue of share capital		**10.8**	9.7
Capital injections from minority interests		**1.0**	1.7
Receipts from the sale of own shares		**7.1**	2.6
Issue of Medium Term Notes and other fixed term debt		**252.4**	373.5
(Decrease)/increase in other loans		**(133.3)**	150.5
Capital element of finance lease rental payments		**(11.8)**	(7.8)
Dividends paid to equity shareholders of the parent		**(248.4)**	(247.4)
Dividends paid to minority interests		**(2.1)**	-
Net cash (used in)/generated from financing activities		**(181.9)**	247.8
Net increase in cash and cash equivalents	12	**135.7**	1.8
Cash and cash equivalents at beginning of year		**113.7**	105.9
Exchange differences		**(4.6)**	6.0
Cash and cash equivalents at end of year	11	**244.8**	113.7

For the purposes of the cash flow statement, cash and cash equivalents are included net of bank overdrafts repayable on demand. These bank overdrafts are excluded from cash and cash equivalents disclosed on the balance sheet.

NOTES TO THE FINANCIAL INFORMATION

For the financial year ended 3 February 2007

1. General information

a) Basis of preparation

The financial information which comprises the consolidated income statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of recognised income and expense and related notes do not constitute the Group's Annual Report and Accounts. The auditors have reported on the Group's statutory accounts for each of the years 2007 and 2006 under section 235 of the Companies Act 1985, which do not contain statements under sections 237 (2) or (3) of the Companies Act 1985 and are unqualified. The statutory accounts for 2006 have been delivered to the Registrar of Companies and the statutory accounts for 2007 will be filed with the Registrar in due course. Copies of the Annual Report and Accounts will be posted to shareholders during the week beginning 23 April 2007.

The Group's financial reporting year ends on the nearest Saturday to 31 January each year. The current financial year is the 53 weeks ended 3 February 2007. The comparative financial year is the 52 weeks ended 28 January 2006. This only impacts the UK operations with all of the other operations reporting on a calendar basis as a result of local statutory requirements.

The consolidated financial statements have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRS), IFRIC interpretations and those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments.

The principal accounting policies applied in the preparation of the consolidated financial statements are consistent with those set out in the statutory accounts for 2006.

b) Use of adjusted measures

Kingfisher believes that retail profit, adjusted profit before tax and adjusted earnings per share provide additional useful information on underlying trends to shareholders. These measures are used by Kingfisher for internal performance analysis and incentive compensation arrangements for employees. The terms 'retail profit', 'exceptional item' and 'adjusted' are not defined terms under IFRS and may therefore not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, GAAP measurements of profit. The term 'adjusted' refers to the relevant measure being reported excluding exceptional items, financing fair value remeasurements and amortisation of acquisition intangibles. Retail profit is defined as operating profit before central costs (the costs of the Corporate Centre), exceptional items and the Group's share of interest and taxation of joint ventures and associates.

The separate reporting of non-recurring exceptional items, which are presented as exceptional within their relevant income statement category, helps provide an indication of the Group's underlying business performance. The principal items which will be included as exceptional items are:

- non trading items included in operating profit such as profits and losses on the disposal of subsidiaries, associates and investments which do not form part of the Group's trading activities;
- gains and losses on the disposal of properties; and
- the costs of significant restructuring and incremental acquisition integration costs.

2 Segmental analysis

The Group's primary reporting segments are geographic, with the Group operating in four main geographical areas, being the UK, France, Rest of Europe and Asia. The Group only has one business segment being retail, therefore no secondary segmental disclosure is given.

The 'Rest of Europe' segment consists of B&Q Ireland, Castorama Poland, Castorama Italy, Castorama Russia, Brico Dépôt Spain, Koçtaş and Hornbach. Poland has been shown separately as it meets the reportable segment criteria as prescribed by IAS 14. The 'Asia' segment consists of B&Q China, B&Q Korea and B&Q Taiwan.

The segment results for the year ended 3 February 2007 are as follows:

£ millions	United Kingdom	France	Poland	Rest of Europe	Asia	Total
External revenue	4,261.5	2,955.2	507.9	494.6	456.7	8,675.9
Segment result before joint ventures and associates	233.1	204.5	57.9	28.8	(0.8)	523.5
Share of post tax results of joint ventures and associates	-	0.5	-	12.5	3.9	16.9
Total segment result	233.1	205.0	57.9	41.3	3.1	540.4
Central costs						(39.1)
Operating profit						501.3
Net finance costs						(50.8)
Profit before taxation						450.5
Income tax expense						(112.1)
Profit for the year						338.4

The segment results for the year ended 28 January 2006 are as follows:

£ millions	United Kingdom	France	Poland	Rest of Europe	Asia	Total
External revenue	4,172.0	2,724.9	417.0	378.2	318.0	8,010.1
Segment result before joint ventures and associates	10.9	228.9	52.5	20.3	(20.4)	292.2
Share of post tax results of joint ventures and associates	-	0.3	-	5.5	5.6	11.4
Total segment result	10.9	229.2	52.5	25.8	(14.8)	303.6
Central costs						(34.1)
Operating profit						269.5
Net finance costs						(37.7)
Profit before taxation						231.8
Income tax expense						(92.8)
Profit for the year						139.0

Unallocated central costs principally comprise the Head Office operations of Kingfisher plc.

3 Exceptional items

The following exceptional items, as defined in note 1b, have been (charged)/credited in arriving at profit before taxation:

£ millions	2007	2006
Included within cost of sales, selling and distribution expenses and administrative expenses:		
B&Q UK - reorganisation costs	-	(205.3)
OBI China - integration costs	-	(10.0)
	-	(215.3)
Included within other income:		
Profit on disposal of properties	49.1	15.3
Profit on disposal of available for sale financial assets	0.4	3.6
	49.5	18.9
Included within other expenses:		
B&Q UK - financial services termination fee	-	(19.0)
Total exceptional items	49.5	(215.4)

Current year

Total profits recognised on the disposal of properties totalled £49.1m in the year. The Group recognised £42.7m profit on disposal of properties in connection with the sale and leaseback of seven UK warehouse stores to The British Land Company.

The Group also received further consideration of £0.4m in the current year relating to the disposal of its investment in improveline.com in the prior year.

Prior year

During the prior year, the Group incurred a £205.3 million restructuring charge in B&Q UK relating to the planned closure of 20 stores, the downsizing of a further 17 stores and the costs of streamlining B&Q's corporate offices. A further charge of £19.0m was incurred in the prior year following B&Q's decision to terminate a contract with its previous supplier of consumer credit services, which gave rise to the repayment of part of the original proceeds received on disposal of Time Retail Finance in 2003.

£10.0m of costs were also incurred in the prior year in relation to the integration of the OBI China business into B&Q China. These costs include the incremental costs of the dedicated integration team, re-branding costs and the write-off of property, plant and equipment which were not deemed suitable for the B&Q China business model.

The Group disposed of a number of properties during the prior year giving rise to a profit of £15.3m. The Group also disposed of its investment in improveline.com, for cash consideration of £3.6m and realising a profit of £3.6m as the investment had been fully provided against in a prior year.

Refer to note 5 for the taxation impact on exceptional items.

4 Net finance costs

£ millions	2007	2007	2006	2006
Bank and other interest payable	(74.1)		(46.7)	
Less amounts capitalised in the cost of qualifying assets	1.2		3.3	
		(72.9)		(43.4)
Finance lease charges		(5.8)		(6.0)
Net interest charge on defined benefit schemes (note 8)		-		(3.8)
Financing fair value remeasurements		4.7		1.6
Unwinding of discount on provisions		(1.6)		-
Total finance cost		(75.6)		(51.6)
Bank and other interest receivable		18.5		13.9
Net interest return on defined benefit schemes (note 8)		6.3		-
Total finance income		24.8		13.9
Net finance costs		(50.8)		(37.7)

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.5% (2006: 5.3%) to expenditure on such assets.

Interest payable above includes amortisation of issue costs of debt of £0.9m (2006: £0.5m).

5 Income tax expense

£ millions	2007	2006
UK corporation tax		
Current tax on profits for the year	35.7	7.2
Adjustment in respect of prior years	(0.3)	(15.8)
	35.4	(8.6)
Double taxation relief	(5.5)	(0.4)
	29.9	(9.0)
Foreign tax		
Current tax on profits for the year	80.7	86.9
Adjustments in respect of prior years	(2.3)	0.2
	78.4	87.1
Deferred tax		
Current year	12.7	20.2
Adjustment in respect of prior years	(8.9)	(4.3)
Attributable to changes in tax rates	-	(1.2)
	3.8	14.7
	112.1	92.8

In addition to the amounts charged to the income statement, tax of £30.1m was charged directly to equity (2006: £20.1m credited) (Refer note 9).

A tax credit of £7.3m has been recognised in the income statement relating to exceptional items, of which £4.6m is credited against the current year tax charge in relation to the £49.5m net exceptional income, with the remaining £2.7m in respect of prior periods, relating to tax previously provided on exceptional items.

6 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the Executive Share Option Plan Trust (ESOP) which for the purpose of this calculation are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's shares during the year.

Adjusted earnings per share figures are also presented. These exclude the effects of exceptional items, financing fair value remeasurements and amortisation of acquisition intangibles, to allow comparison of underlying trading performance on a consistent basis.

	2007			2006		
	Earnings	Weighted average number of shares	Per share amount	Earnings	Weighted average number of shares	Per share amount
	£millions	millions	pence	£millions	millions	pence
Basic earnings per share						
Earnings attributable to ordinary shareholders	336.8	2,333.0	14.4	139.5	2,324.7	6.0
Effect of dilutive securities						
Options		10.8	-		10.2	-
Diluted earnings per share	336.8	2,343.8	14.4	139.5	2,334.9	6.0
Basic earnings per share	336.8	2,333.0	14.4	139.5	2,324.7	6.0
Effect of non-recurring costs						
Exceptional items	(49.5)		(2.1)	215.4		9.3
Tax impact arising on exceptional items	(7.3)		(0.3)	(68.8)		(2.9)
Financing fair value remeasurements	(4.7)		(0.2)	(1.6)		(0.1)
Tax impact arising on financing remeasurements	1.4		0.1	0.5		-
Amortisation of acquisition intangibles	0.3		-	0.1		-
Basic - adjusted earnings per share	277.0	2,333.0	11.9	285.1	2,324.7	12.3
Diluted earnings per share	336.8	2,343.8	14.4	139.5	2,334.9	6.0
Effect of non-recurring costs						
Exceptional items	(49.5)		(2.2)	215.4		9.2
Tax impact arising on exceptional items	(7.3)		(0.3)	(68.8)		(2.9)
Financing fair value remeasurements	(4.7)		(0.2)	(1.6)		(0.1)
Tax impact arising on financing remeasurements	1.4		0.1	0.5		-
Amortisation of acquisition intangibles	0.3		-	0.1		-
Diluted - adjusted earnings per share	277.0	2,343.8	11.8	285.1	2,334.9	12.2

7 Dividends

£ millions	2007	2006
Amounts recognised as distributions to equity shareholders in the year:		
Final dividend for the year ended 28 January 2006 of 6.8p per share (29 January 2005: 6.8p per share)	158.5	159.7
Interim dividend for the year ended 3 February 2007 of 3.85p per share (28 January 2006: 3.85p per share)	89.9	89.5
Dividend paid to Employee Share Ownership Plan Trust (ESOP) shares	-	(1.8)
	248.4	247.4
Proposed final dividend for the year ended 3 February 2007 of 6.8p per share	161.8	

The proposed final dividend for the year ended 3 February 2007 is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

8 Post employment benefits

The Group operates a variety of post employment benefit arrangements covering both funded and unfunded defined benefit schemes and funded defined contribution schemes. The most significant are the funded, final salary defined benefit and defined contribution schemes for the Group's UK employees; however various defined benefit and defined contribution schemes are operated in France, Poland, Italy, China and South Korea. In France and Poland, they are retirement indemnity in nature; and in South Korea and Italy, termination indemnity in nature.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligations were carried out at 3 February 2007. The principal actuarial assumptions and expected rates of return used were as follows:

	2007		2006	
Annual % rate	UK	Other	UK	Other
Discount rate	5.3	4.6 to 5.5	4.7	4.0 to 6.0
Salary escalation	4.5	3.5 to 6.7	4.3	2.0 to 6.7
Rate of pension increases	2.9	n/a	2.7	n/a
Price inflation	2.9	2.0 to 2.5	2.7	2.0 to 2.5

	2007		2006	
% rate of return	UK	Other	UK	Other
Equities	7.8	-	7.6	-
Bonds	4.9	4.5	4.2	-
Property	6.3	-	5.9	-
Other	3.9	4.0	3.7	4.0
Overall expected rate of return	6.5	4.0	6.1	4.0

The overall expected rate of return is effectively a weighted average of the individual asset categories and their inherent expected rates of return.

The main financial assumption is the real discount rate, i.e. the excess of the discount rate over the rate of inflation. If this assumption increased/decreased by 0.1%, the UK defined benefit obligation would decrease/increase by approximately £30.0m, and the annual UK current service cost would decrease/increase by approximately £1.0m.

The assumptions for pensioner longevity are based on an analysis of pensioner death trends under the scheme over the period from 1998 to 2004, together with allowances for future improvements to death rates for all members. The specific tables used are the same as those used in the 2004 funding valuation, namely PMA92C2010 for male pensioners, PFA92C2010 (+2 year age rating) for female pensioners. Further allowances for improving longevity are included for members yet to retire.

At 3 February 2007 the Group has further strengthened the assumption for future improvements to mortality rates implying an increase in the assumed life expectancies. This has the impact of increasing the defined benefit obligation by 4% compared with that using the previous mortality rate projections. These revised assumptions are equivalent to assuming the average age at death for a pensioner currently aged 60 is 85.1 for a male and 86.3 for a female. They are also equivalent to assuming an average age at death for a member aged 60 in 15 years time is 86.2 for a male and 87.5 for a female. These assumptions will be reviewed following the next funding valuation due no later than 31 March 2007.

The amounts recognised in the income statement are as follows:

£ millions			2007			2006
	UK	Other	Total	UK	Other	Total
Amounts charged to operating profit:						
Current service cost	34.9	4.7	39.6	33.2	3.7	36.9
Past service cost	-	-	-	-	-	-
Total operating charge	34.9	4.7	39.6	33.2	3.7	36.9
Amounts (credited)/charged to net finance costs:						
Expected return on pension scheme assets	(73.1)	(0.4)	(73.5)	(58.9)	(0.4)	(59.3)
Interest on pension scheme liabilities	65.6	1.6	67.2	61.7	1.4	63.1
Net interest (return)/charge (note 4)	(7.5)	1.2	(6.3)	2.8	1.0	3.8
Total charged to income statement	27.4	5.9	33.3	36.0	4.7	40.7

Of the charge to operating profit for the year, £27.3m (2006: £25.4m) and £12.3m (2006: £11.5m) were included, respectively, in selling and distribution expenses and administrative expenses, and a £6.3m net credit (2006: £3.8m net charge) was included in net finance costs. Actuarial gains and losses have been reported in the statement of recognised income and expense.

The amounts included in the balance sheet, within non-current liabilities, arising from the Group's obligations in respect of its defined benefit retirement schemes, are determined as follows:

			2007			2006
£ millions	UK	Other	Total	UK	Other	Total
Present value of defined benefit obligations	(1,394.7)	(36.8)	(1,431.5)	(1,420.4)	(39.1)	(1,459.5)
Fair value of scheme assets	1,366.7	10.2	1,376.9	1,209.8	10.1	1,219.9
Net liability recognised in the balance sheet	(28.0)	(26.6)	(54.6)	(210.6)	(29.0)	(239.6)

Movements in the deficit during the year:

			2007			2006
£ millions	UK	Other	Total	UK	Other	Total
Deficit in scheme at beginning of year	(210.6)	(29.0)	(239.6)	(302.1)	(23.6)	(325.7)
Total service cost charged in the income statement (as above)	(34.9)	(4.7)	(39.6)	(33.2)	(3.7)	(36.9)
Interest charge	(65.6)	(1.6)	(67.2)	(61.7)	(1.4)	(63.1)
Expected return on pension scheme assets	73.1	0.4	73.5	58.9	0.4	59.3
Actuarial gains and losses	91.7	3.6	95.3	(43.2)	(2.4)	(45.6)
Contributions paid	118.3	3.8	122.1	170.7	1.6	172.3
Exchange differences	-	0.9	0.9	-	0.1	0.1
Deficit in scheme at end of year (before taxation)	(28.0)	(26.6)	(54.6)	(210.6)	(29.0)	(239.6)

The analysis of the scheme assets at the balance sheet date is as follows:

			2007			2006
£ millions	UK	Other	Total	UK	Other	Total
Equities	705.0	-	705.0	638.5	-	638.5
Bonds	512.3	0.2	512.5	449.4	-	449.4
Property	121.3	-	121.3	96.7	-	96.7
Other	28.1	10.0	38.1	25.2	10.1	35.3
Total market value of assets	1,366.7	10.2	1,376.9	1,209.8	10.1	1,219.9

The pension plans do not hold any other assets than those disclosed above.

The estimated amounts of contributions expected to be paid to the UK, France and other pension schemes during the next financial year is £105.5m.

9 Reserves

£ millions	Hedging reserve	Translation reserve	Other reserves	Retained earnings	Total
At 30 January 2005	(4.4)	56.8	159.0	1,736.1	1,947.5
Actuarial losses on post employment benefits	-	-	-	(45.6)	(45.6)
Treasury shares disposed	-	-	-	(2.6)	(2.6)
Share-based compensation charge	-	-	-	14.0	14.0
Share-based compensation - shares awarded	-	-	-	(0.9)	(0.9)
Currency translation differences	-	28.4	-	-	28.4
Cash flow hedges - fair value gains	7.5	-	-	-	7.5
Cash flow hedges - losses transferred to inventories	0.5	-	-	-	0.5
Tax on items recognised directly in equity	(2.4)	6.9	-	15.6	20.1
Net gains recognised directly in equity	5.6	35.3	-	(19.5)	21.4
Profit for the year	-	-	-	139.5	139.5
Total recognised gains for the year	5.6	35.3	-	120.0	160.9
Dividends	-	-	-	(247.4)	(247.4)
At 28 January 2006	1.2	92.1	159.0	1,608.7	1,861.0
Actuarial gains on post employment benefits	-	-	-	95.3	95.3
Treasury shares disposed	-	-	-	(6.7)	(6.7)
Share-based compensation charge	-	-	-	8.9	8.9
Currency translation differences	-	(70.9)	-	-	(70.9)
Cash flow hedges - fair value losses	(9.1)	-	-	-	(9.1)
Cash flow hedges - losses transferred to inventories	3.1	-	-	-	3.1
Tax on items recognised directly in equity	1.8	-	-	(31.9)	(30.1)
Net losses recognised directly in equity	(4.2)	(70.9)	-	65.6	(9.5)
Profit for the year	-	-	-	336.8	336.8
Total recognised gains for the year	(4.2)	(70.9)	-	402.4	327.3
Dividends	-	-	-	(248.4)	(248.4)
At 3 February 2007	(3.0)	21.2	159.0	1,762.7	1,939.9

10 Net cash flows from operating activities

£ millions	2007	2006
Operating profit	501.3	269.5
Adjustments for:		
Depreciation of property, plant and equipment and investment property	173.8	149.8
Amortisation of intangible assets	33.2	32.0
Impairment loss on property, plant and equipment and investment property	1.3	40.1
Impairment loss on intangible assets	-	7.5
Share based compensation charge	9.0	14.1
Share of post tax results of joint ventures and associates	(16.9)	(11.4)
(Profit)/loss on disposal of property, plant and equipment and investment property	(43.9)	22.5
Loss on disposal of intangible assets	5.7	2.0
Profit on disposal of available for sale financial assets	(0.4)	(3.6)
Operating cash flows before movements in working capital	663.1	522.5
Movements in working capital (excluding the effects of acquisitions and disposals of subsidiaries and exchange differences on consolidation):		
Increase in inventories	(215.0)	(33.3)
Decrease/(increase) in trade and other receivables	44.0	(97.3)
Increase in trade and other payables	295.1	27.3
Decrease in post employment benefits	(82.5)	(135.2)
(Decrease)/increase in other provisions	(47.0)	140.2
	(5.4)	(98.3)
Cash generated by operations	657.7	424.2
Income taxes paid	(98.3)	(120.1)
Net cash flows from operating activities	559.4	304.1

11 Cash and cash equivalents

£ millions	2007	2006
Cash at bank and in hand	249.4	211.3
Short-term deposits	145.1	22.8
	394.5	234.1

The short-term deposits comprise money market deposits, attracting interest rates based on LIBOR or equivalent market rates, fixed for periods of up to three months. The carrying amount of these assets approximate to their fair values.

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following:

£ millions	2007	2006
Cash at bank and in hand	249.4	211.3
Short-term deposits	145.1	22.8
Bank overdrafts	(149.7)	(120.4)
	244.8	113.7

12 Net debt

Net debt incorporates the Group's borrowings, interest rate and cross currency swaps that hedge those borrowings (excluding accrued interest), bank overdrafts and obligations under finance leases, less cash and cash equivalents and current available for sale financial assets, as detailed below.

£ millions	207	2006
Cash and cash equivalents	394.5	234.1
Current available for sale financial assets	28.4	-
Bank overdrafts	(149.7)	(120.4)
Bank loans	(146.8)	(286.2)
Medium Term Notes and other fixed term debt	(1,306.6)	(1,123.8)
Interest rate and cross currency swaps (excluding accrued interest)	(44.0)	13.0
Obligations under finance leases	(69.6)	(71.9)
Net debt at end of year	(1,293.8)	(1,355.2)

A reconciliation of the movement in net debt from the start to the end of the year is detailed below.

£ millions	2007	2006
Net debt at start of year	(1,355.2)	(841.1)
Net increase in cash and cash equivalents	135.7	1.8
Increase in available for sale financial assets	29.3	-
Amortisation of issue costs of debt	(0.9)	(0.5)
Increase in debt and lease financing	(107.3)	(516.2)
Exchange differences and fair value adjustments on financial instruments	4.6	0.8
Net debt at end of year	(1,293.8)	(1,355.2)