# B&Q Limited

## Annual Report and Financial Statements

**for the year ended 31 January 2021**

**Registered number: 00973387**

# B&Q Limited

## Strategic report

**for the year ended 31 January 2021**

The directors present their strategic report on B&Q Limited (the 'Company') for the year ended 31 January 2021.

In preparing this strategic report, the directors have compiled with s414C of the Companies Act 2006.

**Principal Activity**

The principal activity of the Company is the retailing of home improvement products and related home improvement services in the United Kingdom.

**Results and Dividends**

The profit before taxation amounted to £211.1m (2020: profit of £140.1m) and profit after taxation amounted to £170.8m (2020: profit of £83.1m). A dividend of £nil has been declared and paid in respect of the period (2020: £2,512.0m). The directors do not propose any further dividend be paid.

In the period, included within the profit before tax was a net £7.6m exceptional credit (2020: £22.4m exceptional cost) in relation to the ongoing estate transformation plan. Further details are contained within note 6 to the financial statements. Excluding the credit (2020: cost) from the period's performance would see the reported profit before tax of £211.1m (2020: profit before tax of £140.1m) move to a profit before tax and exceptional items of £203.5m (2020: profit of £162.5m).

**Business review and future developments**

B&Q Limited's total sales increased by 13.0% to £3,594.5m. LFL sales increased by 13.2% with building & joinery the strongest performing category, followed by outdoor and surfaces & décor. LFL sales of weather-related categories increased by c.22% while sales of non-weather-related categories, including showroom, increased by c.10%. B&Q's e-commerce sales grew strongly in FY 20/21, increasing by 117% and representing 10% of total sales (2020: 6% of total sales).

The Company opened five new stores in FY 20/21, including three compact stores.

The net asset position of the Company at 31 January 2021 was £2,260.8m (2020: £2,059.0m).

Working alongside the ultimate parent entity, Kingfisher plc (the 'Group' or 'Kingfisher'), the Company introduced a new strategic direction, 'Powered by Kingfisher' in June 2020. The new strategy will rebalance local and Group responsibilities, with the overall aim of enabling flexibility and agility to address specific needs in local markets and to become a more digital and service orientated company, using our strong store assets as a platform. Further details on the strategy are included in pages 6 - 13 of the Kingfisher annual report.

During the year we continued to test and launch new service propositions. We restarted kitchen and bathroom installation services, now available in all UK mainland stores, and are encouraged by the early take-up rate.

In response to customer demand and in partnership with Speedy Hire we are trialling a comprehensive tool hire service. To date, we have opened 16 Speedy concessions within B&Q stores in the UK. We are also in the process of rolling out new self-checkout terminals in stores following successful trials.

Compact stores are a key enabler for market share growth in urban catchment areas. In 2020 we tested three compact store concepts, including a new compact B&Q format (in Twickenham) and two B&Q store-in-store concessions within ASDA supermarkets (in Sheffield and Dagenham). The performance of our new compact stores is showing encouraging signs. Since the year end, we have opened three additional concessions within ASDA stores (in Edmonton, Roehampton and Thurmaston) and we plan to trial further stores throughout 2021.

Since mid-March 2020 we have been operating in, and responding to, a rapidly changing environment as the Covid-19 outbreak spread and governments and businesses took action to contain its impact. Since the Covid-19 crisis started, our priorities have been clear – to provide support to the communities we serve, to fulfil our obligations to colleagues as a responsible employer, to our customers as a retailer of essential goods, and to protect our business for the long-term.

**Business review and future developments (continued)**

Despite B&Q stores being classified as essential in the UK, we took the decision initially to close in-store browsing and purchasing. Following this, we quickly adapted our operating model to help meet customers' essential needs – initially through contactless e-commerce and then through phased store reopenings, whilst in parallel developing safety and social distancing protocols for colleagues and customers which are likely to remain with us for some time.

Upon reopening in May 2020, following the initial closure of all stores, we saw unprecedented customer demand which continued throughout the year.

Restrictions imposed from late December 2020 meant that discrete areas of certain stores (e.g., showrooms in England and Scotland) were temporarily closed. For those stores where showrooms were closed, we operated a virtual sales model for kitchens and bathrooms and several thousands of virtual showroom planning sessions were conducted. These restrictions were lifted from 12 April 2021 at which point the showrooms were reopened; however the virtual sales appointments are still available for customers.

Overall, the operational and financial actions we have taken give us a sound footing in the current crisis and beyond. We expect to see further growth in sales for the year ending 31 January 2022, reflecting good progress in the execution against our strategic objectives, and continuing strong demand for our products as seen throughout the Covid-19 pandemic.

Over the next year we plan to relaunch TradePoint, B&Q's trade-focused banner. The business continues to be a significant part of B&Q at c.19% of its sales, with sales growth of c.11% in FY 20/21. Work is ongoing to address gaps in ranges, and to improve the digital customer journey and services proposition. Engagement from trade customers has been high in FY 20/21, with TradePoint's H2 20/21 LFL sales growing at over 20%.

The Company will also be strengthening the customer proposition by accelerating the development activity and continuing testing new store concepts in order to make our digital offer and innovation more visible to customers. We are also looking to build a more developed mobile first and service orientated customer experience, more of which can be seen in pages 6 - 10 of the Kingfisher annual report.

**Key performance indicators**

The directors monitor progress on the overall Company strategy by reference to four KPIs which have been considered in the sections above. Performance during the period together with historical trend data is set out in the table below:

| | **2021** | **2020** |
|---|---|---|
| Sales growth/(decline) | 13.0% | (3.2)% |
| LFL growth/(decline)* | 13.2% | (3.1)% |
| Adjusted PBIT** | £182.5m | £55.0m |
| Sales per sq. m | £1,669 | £1,485 |

The directors have adopted various Alternative Performance Measures (APMs) above, also termed non-GAAP measures, of historical or future financial performance, position or cash flows other than those defined or specified under FRS 102. These measures are not defined by FRS 102 and therefore may not be directly comparable with other companies' APMs, including those used by other retailers. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, FRS 102 measurements.

** LFL stands for like-for-like sales growth representing the constant currency, year on year sales growth for stores that have been open for more than a year. This measure is used widely in the retail industry as an indicator of sales performance on a comparable basis.*

*** Adjusted PBIT is comprised of profit on activities before interest and taxation (PBIT) after excluding the impact of exceptional items.*

**Section 172(1) and stakeholder engagement statement**

The directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006 (the Act).

When making decisions, directors have regard to the interests of stakeholders relevant to the Company, as well as the likely consequences of any decision in the long term, the desirability of the company maintaining a reputation for high standards of business conduct, and employee interests where appropriate. They also fulfil their responsibilities through Kingfisher's highly developed framework, which includes but is not limited to Kingfisher plc Group policies, business principles and the Kingfisher Code of Conduct.

As is normal for companies that are part of a wider Group of entities, such as B&Q Limited, day-to-day management of the Company is delegated to executives who, in turn, engage management in setting, approving, and overseeing execution of the business strategy and related policies. The Board reviews financial and operational performance and legal and regulatory compliance pertinent to any decision they are taking.

The purpose of the Company is to act as a retailer of home improvement products and related home improvement services within the Kingfisher Group of companies. As well as its affiliates in the wider Kingfisher Group in which it operates, the Company's key stakeholders include our customers, colleagues, suppliers, communities & non-governmental organisations (NGO's) and regulators & Government. While there are cases where the Board judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both our stakeholders and the Kingfisher Group means that generally our stakeholder engagement best takes place at an operational or Group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social, and other issues than by working as an individual company. Please see pages 63 - 69 of the Kingfisher annual report for details of operational and Group-level stakeholder engagement with the Company's stakeholders as well as those of the Kingfisher Group regarding issues to which the Directors must have regard.

During the year we received information to help us understand the interests and views of the Company's key stakeholders and other relevant factors when making decisions. This information was distributed in a range of different formats including in reports and presentations on our financial and operational performance, non-financial KPIs, risk, ESG matters and the outcomes of specific pieces of engagement (for example, the results of customer and supplier surveys and focus groups). As a result of this we have a view of engagement with stakeholders and other relevant factors which allows us to understand the nature of our stakeholders' concerns and to comply with our s172 duty to promote success of the company for the benefit of its members as a whole.

The directors acknowledge that every decision they make will not necessarily result in a positive outcome for all of our stakeholders. By considering the Company's strategic priorities and having processes in place for decision-making, they do, however, aim to make sure that their decisions are consistent.

The Board approaches stakeholder engagement in accordance with the Kingfisher principles of stakeholder engagement. You can find a full description of these principles on pages 51 and 63 - 69 of the Kingfisher annual report. A summary of the items most specific to the Company can be found below.

**Section 172(1) statement (continued)**

**Customer engagement**
The Board receives regular updates on customer opinions from the business areas that interact with them. These updates include direct feedback, reports on customer behaviour, analysis of the Net Promotor Score and Customer Insight Reports, which are used to inform future investment decisions and identify key revenue drivers.

The Board recognises that customer safety and satisfaction are pivotal to the success of the business, and that customer needs, behaviours and feedback should be sought, assessed and utilised to underpin the development of the long-term strategy.

Customer feedback has been crucial in the year when testing new and improved customer journeys through the business, and even more so when adapting our customer experience to mitigate risks to both customers and colleagues with regards to Covid-19. This feedback influenced the Board in their decision to restart the kitchen and bathrooms installation service along with many other trials that have taken place during the year.

**Colleague engagement**
The Board has a programme of site visits and regular briefings from Executive leadership to allow it to assess the behaviour and culture of the business and receives regular updates on the Company's people strategy.

For example, throughout the year the Board receives updates such as the Whistleblowing report, regular Board updates on important matters affecting the workforce, and analysis from the results of the colleague engagement survey.

The Board recognises that the implementation of an effective people strategy and strong culture underpin the effective delivery of the Company's strategy and ultimately its performance. The Board acknowledges the importance of attracting, retaining and developing talent and considers the views of colleagues when making decisions and assessing the impact of those decisions on our colleagues and culture.

Recognising the exceptional circumstances the business was operating under, the Company's colleague forum (The B&Q People's Forum) met four times during 2020/21 where ordinarily its meetings are held twice a year. This, alongside the colleague engagement tool implemented in 2018, has provided an opportunity for the views of colleagues to be regularly discussed and heard by the Board on a range of issues. The Board has used these views to influence their decision making during the year in relation to managing the business and trading through the Covid-19 pandemic.

**Supplier engagement**
The Board receives frequent reporting from the business areas which interact daily with our vendors. The Board considers the impact to suppliers when making key strategic decisions relating to product ranges or supply and logistics.

The Board recognises that building and maintaining trusted partnerships with the Company's suppliers is fundamental to the success of the business.

During the year, the Board received updates on Brexit-related risks and contingency planning that was being undertaken within the business. Throughout the year the Company has engaged with suppliers to minimise supply chain impacts caused by Covid-19.

**Shareholder engagement**
Since the Company is a wholly owned subsidiary of Kingfisher Investissements SAS, a company incorporated in France (itself a wholly owned subsidiary belonging to the Kingfisher Group), all transactions are made with the best interest of the Group companies in mind.

# B&Q Limited

## Strategic report (continued)

for the year ended 31 January 2021

**Section 172(1) statement (continued)**

**Communities & Non-governmental organisations (NGOs)**
Being a responsible business encompasses all aspects of the way we work, from the way we treat our colleagues to our supply chain and our impact on the environment. We have clear policies and ambitious targets to ensure we take a consistent best practice approach and keep improving.

The Board is conscious that concerns around companies' impact on the environment and their roles in society and climate change have increased and that there are higher expectations on companies to demonstrate environmental, social and governance credentials.

As part of the Kingfisher Group, the Company aims to help customers have more sustainable homes. The Company sells a wide range of energy/water/heat efficient products, e.g. in it's lighting, taps and insulation categories.

The Kingfisher Group is committed to specific environment based targets, including using sustainable wood/paper products, becoming forest positive and reducing carbon emissions over the next five years.

The Company has a charity partnership with the B&Q Foundation, an independent charity, helping to create better, safer places for people in our communities, as well as with Shelter, a charity tackling poor housing and homelessness.

The Board assesses the impact of the Company's operations on communities and has incorporated ESG (economic, social governance) targets into the Company's remuneration packages and bonus scheme.

For further details on our work towards responsible business, see pages 25 - 29 of the Kingfisher annual report.

**Regulators & Government**
The Board, in coordination with Kingfisher Group, engages with our regulators, government stakeholders and political representatives when required.

The Board wishes to ensure we maintain the trust of our stakeholders including our politicians and regulators, to help realise our purpose, provide employment opportunities, and contribute to the economic prosperity of the places where our people live and work.

All Company colleagues are required to abide by the Kingfisher Code of Conduct, that sets out personal and shared responsibilities for meeting high ethical standards and helps to promote a culture where transparency, honesty and fairness are the norm. The Code forms part of the contractual terms and conditions for all new colleagues and is communicated through a compulsory e-learning module for all colleagues as well as more detailed face to face training sessions for colleagues in higher risk roles.

During the year, engagement has focused on the continuing political uncertainty surrounding the Covid-19 outbreak and ongoing negotiations regarding Brexit.

During the height of the pandemic, the Company applied to different government schemes, including furlough programmes and business rates relief. Having been classified as an essential retailer in most of its markets, the Company has worked closely with governments and regulators throughout the pandemic, prioritising the safety of its customers and colleagues, to adapt its retail operations in line with local requirements as circumstances evolved during the year and to support the enforcement of the restrictions by our teams and customers. Given the resilience of our business, the Board approved the full repayment of £12.1m received under the UK Coronavirus Job Retention Scheme. No claims have been made under the furlough schemes in the UK since 1 July 2020. The Board also approved the repayment of circa £85m of UK business rates relief, where it was possible to do so.

### Principal risks and uncertainties

The key business risks and uncertainties affecting the Company relate to volatility in ongoing market conditions, competition and UK consumer confidence. The impacts of Covid-19 have been included in the business review above. The Company's aim is to differentiate from competitors by leveraging in-depth knowledge of the customers' lives, homes, improvement projects and style preference.

The Company has been preparing for the new EU-UK trading relationship since the outcome of the UK Brexit referendum in 2016. Since the new Trade and Cooperation Agreement (TCA) came into force on 1 January 2021, we have been working to ensure we comply with the new requirements. We had taken several measures since 2016 to mitigate delays at the border as far as possible in advance of the new trading relationship, and continue to engage with our vendors to provide support on the new requirements where needed. Our teams are also continuing to work through the new requirements of the TCA and to limit the risk of delays wherever possible – for example, by introducing new IT and process changes. While we have experienced some relatively minor issues in exporting products to the Republic of Ireland due to overall market challenges, we are not experiencing any material challenges to our EU-UK flows to date. On tariffs, the direct impact resulting from rules of origin requirements are broadly neutral in comparison with our pre-Brexit position.

The other types of risks identified include external factors (such as competition, environment and regulation), systems and infrastructure, health and safety, employee risk, GDPR and the impact of contagious diseases.

The management of certain risks such as climate change, human rights and anti-corruption and anti-bribery matters is performed at a Group level and consideration and required disclosures including the associated mitigation of these risks is disclosed on pages 40 - 46 of the Kingfisher annual report.

### Economic risk

The biggest economic risks facing the Company are weaker GDP growth in the UK, political uncertainty and social unrest, higher wage inflations (e.g. UK National Living Wage c.5% pa), significant cost inflation and Covid-19. All these factors are under regular review and part of the decision making process.

We have faced minor disruption to our supply chain since the UK officially left the EU, with the largest impact on product moving from the UK to the Republic of Ireland. There has been limited disruption in the main flow of imports from the EU to the UK. The overall impact on the Company is therefore manageable. We expect that the initial issues around processes and systems interfaces that have affected the flow to the Republic of Ireland to be resolved over time, which should further improve the situation.

These conditions also present economic uncertainty impacting UK consumer confidence. For further details of risk mitigation, please refer to pages 43 - 45 of the Kingfisher annual report.

### Risk of failure to adapt to consumer trends

The Company operates in an increasingly sophisticated and changing market. Customers are increasingly using the internet more interactively, not just to make purchases, but also to seek inspiration and ideas for their homes.

The ability to offer our customers a full and compelling omni-channel offering in terms of products, ideas, delivery options and innovations is becoming increasingly important and there is a risk that we fail to capitalise on the continued growth of the internet and invest in omni-channel technologies. We are managing the risk by performing regular market research, investing in the website and responding and reacting to the outcomes of the trials, such as the new store formats.

Improving the Company's omni-channel offer forms a core component of how we will develop our customer proposition and the Company is investing to ensure we fully exploit not only the omni-channel capabilities, but also to ensure that we stay at the forefront of how to connect and engage with our customers through social media.

We will continue to monitor customer trends and focus on a mobile first experience to develop an attractive proposition for customers.

The Company continues to face pressure on pricing from competitors in the market, and inability to manage this risk could result in a loss of market share. We are managing this risk by building a strong customer journey including end to end project planning and ensuring robust supplier management processes are in place.

**Systems and infrastructure risk**

The Company's continued investment in delivering new and innovative products and solutions to its customers will inevitably place increasing demands on our existing systems infrastructure. There is a risk that our infrastructure will lack the necessary scalability, flexibility and resilience to support its successful execution.

The Company has a programme to ensure that it focuses its information technology resources on both maintaining or extending the useful lives of its existing technologies and developing solutions that support revenue generative opportunities and productivity initiatives. Where possible, the Company is also seeking to eliminate complex or heavily bespoked technologies to reduce our running costs and to simplify processes.

**Health and safety risk**

There is a risk that repeated health and safety failures could result in a major incident that is directly attributable to either a systematic or institutionalised failure in our health and safety management systems. This would result in damage to our reputation through adverse publicity, prosecution and censure. The Board is committed to creating and sustaining a safe environment for both our employees and customers, and regularly reviews and challenges health and safety performance, standards and targets across our businesses.

The Company designates a director with specific responsibility for health and safety. This person is then responsible for ensuring that a written health and safety policy is communicated to all employees, that appropriate health and safety arrangements are in place to protect our employees and customers and that we comply with local regulatory requirements.

An example of this is the approach taken when adapting our customer experience to mitigate risks to both customers and colleagues with regards to Covid-19. The health and safety of our colleagues and customers has remained our top priority, alongside supporting the Government to limit the spread of the virus.

**Employee risk**

Retail is a people business and there is a risk that, given economic pressures, we fail to maintain the necessary investment in our people to ensure that we have the appropriate calibre of staff for specific roles; and that skills and experiences are deployed in the best interests of the individual and the Company.

The Company continues to invest in our people and is committed to ensuring that everyone is given the opportunity to develop themselves to the benefit of the organisation and our customers. This is done through a wide range of development opportunities ranging from store-based training programmes, supported by the delivery of nationally accredited and recognised qualifications, apprenticeship schemes and e-learning programmes.

The Company remains committed to the ongoing assessment and measurement of its people's engagement with the business, with employee satisfaction surveys completed across the business.

The Company has a partnership with the Retail Trust, offering health and wellbeing support to members, including emotional support, physical and mental wellbeing, career development advice and support with financial health.

The Company also has a renewed focus on the mental health and wellbeing of employees including a new e-learning programme dedicated to this.

**Financial risk management objectives and policies**

The Company's activities expose it to a number of financial risks including credit risk, foreign currency risk, interest rate risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks.

As part of the Kingfisher plc Group, the Company's interest rate and liquidity risks are managed centrally by the Kingfisher Group treasury department. The Kingfisher Group treasury department has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring levels of debt finance and related finance costs.

**Foreign currency risk**

The Company is exposed to foreign currency risk on its purchase of inventories denominated in foreign currencies, principally US Dollars. The risk is hedged using forward foreign exchange contracts. In line with the Kingfisher Group policy, such derivatives match a portion of the Company's committed and forecast inventory purchases in the next twelve months, and is monitored on an ongoing basis.

**Interest rate risk**

Interest rate risk arises from intercompany balances that bear interest LIBOR plus a margin. The directors have reviewed the Company's exposure to interest rates and have concluded that the risk is appropriate in relation to the financial results of the Company.

**Credit risk**

The Company's principal financial assets are bank balances and cash, trade and other debtors, and investments.

The Company's exposure to credit risk at the reporting date is the carrying value of trade and other receivables, cash at bank, short-term deposits and the fair value of derivative assets. Trade and other receivables mainly relate to trade receivables and rebates which comprise low individual balances with short maturity spread across a large number of unrelated customers and suppliers, resulting in low credit risk levels.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

**Liquidity risk**

The Company, along with Kingfisher plc, regularly reviews the level of cash and debt facilities required to fund its activities. This involves preparing a prudent cash flow forecast on a 13 week basis, determining the level of debt facilities required to fund the business, planning for repayment of debt at its maturity and identifying headroom to provide a reserve against unexpected outflows.

**Events after the balance sheet date**

Since the balance sheet date, the agreement for the loan owed by a fellow subsidiary in the Kingfisher group was renewed for a further 3 years. The loan is now due for repayment on 22 January 2024 and interest will be received at a rate of 0.93%.

There are no other significant events since the balance sheet date.

**Approval**

Approved by the Board and signed on its behalf by:

**G Bell**
Director

Date: 18 October 2021

# Directors' report

**for the year ended 31 January 2021**

The directors present their annual report and audited financial statements for the financial year ended 31 January 2021.

The following disclosures have been included within the strategic report on pages 1 to 8 and form part of this report by cross-reference:

Research and development activities
Proposed dividends
Financial risk management objectives and policies
Future developments and events after the balance sheet date

**Directors**

The directors, who served throughout the year and to the date of signing except as noted, were as follows:

| | |
|---|---|
| G Bell | |
| G Bryant | |
| C Burge | (resigned 31 January 2021) |
| P Crisp | (resigned 31 July 2021) |
| P Earnshaw | (resigned 31 July 2021) |
| M Lee | |
| A Moat | (resigned 31 July 2021) |
| P White | (resigned 31 July 2021) |
| P Moore | (appointed 16 September 2021) |

**Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Going concern

In assessing the going concern basis of preparing the financial statements, the directors considered the Company's business activities, financial position and financial risk management objectives and policies. They have also considered a forward looking Covid-19 scenario. The Company achieved a profit after tax of £170.8m (2020: £83.1m) and had a year end net asset position of £2,260.8m (2020: £2,059.0m). The Company's forecasts and projections, taking account of reasonably possible changes in trading performance and the ongoing economic uncertainty in the United Kingdom due to Covid-19, show that the Company should be able to operate with continued profitability and without additional financial support or borrowings, for at least twelve months from the date of approval of the financial statements.

As a result, the directors continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the accounting policies note to the financial statements.

### Statement on Corporate Governance Arrangements

The Company is a wholly owned subsidiary of Kingfisher plc and is therefore subject to the principles of the Kingfisher Subsidiary Governance Policy (the Policy). The Policy applies to all legal entities within the Kingfisher Group and encompasses seven overarching principles that each Group entity is expected to apply in pursuit of consistent and appropriate levels of governance. The Principles the Company is expected to uphold, encompass:

- Company Purpose and Leadership
- Board Composition
- Director Duties and Responsibilities
- Opportunity and Risk
- Remuneration
- Stakeholder Relationships and Engagement
- Legal, Regulatory and Company Administration

The Company confirmed its full compliance with all Principles set out in the Policy in respect of the 2020/21 financial year. Please see pages 55 - 69 of the Kingfisher annual report to see a summary of the Group corporate governance statement.

### Engagement with suppliers, customers and others

Please see section 172(1) statement on pages 3 - 5.

### Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate adjustments are arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### Employee consultation

The Company continues to develop a policy of direct and systematic communication on all relevant matters including the Company's business performance and current market issues with employees.

The Company operates an employee forum. The B&Q People's Forum is made up of a network of elected employees across the UK and Ireland. This forum aims to give our people across the business the opportunity to input, influence and shape our direction and to share aspirations and ideas. The B&Q People's Forum is based on the core belief that involving and listening to our own people will make our business more successful.

Furthermore, the ultimate parent company operates a savings related share option scheme for employees at all levels.

# B&Q Limited

## Directors' report (continued)

**for the year ended 31 January 2021**

**Auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information (as defined by section 418 of the Companies Act 2006) of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Deloitte LLP have expressed their willingness to continue in office and will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the Company receives notice under section 488(1) of the Companies Act 2006.

Approved by the Board and signed on its behalf by:

Graham Bell

**G Bell**
Director

Date: 18 October 2021

# Independent auditor's report to the members of B&Q Limited

**for the year ended 31 January 2021**

**Report on the audit of the financial statements**

**Opinion**

In our opinion the financial statements of B&Q Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 January 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of changes in equity;
- the balance sheet; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- reviewing the financial position of the company at year end;
- obtaining the forecast prepared by management and challenging whether the assumptions contained therein were reasonable; and
- reviewing the sources of finance available to the company, including considering forecast cash balances.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- Inventory valuation
  We have tested key controls related to inventory valuation. We have obtained managements calculation of inventory provisions, and have involved IT specialists to test the integrity of these calculations. We have tested the integrity of the inputs to the calculation by agreeing to supporting evidence of inventory status, and have recalculated the inventory provisions. We have also challenged provisioning policy by conducting a retrospective review of the prior year provision, assessing inventory sold below cost in the year against the prior year provision.

- Impairment of assets
  We have obtained managements impairment calculation and assessed the controls over the review of this calculation. We have also challenghed the assumptions regarding future cashflows, long term growth and the discount rate used by management in the forecasts; and considered the extent to which contradictory evidence exists. We have also reviewed the related disclosures to ensure that they meet the requirements of FRS102.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

# Independent auditor's report to the members of B&Q Limited

**for the year ended 31 January 2021**

**Report on other legal and regulatory requirements**

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

**Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

C. Siviter

**Claire Siviter FCA (Senior statutory auditor)**
for and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom

Date: 20 October 2021

# B&Q Limited

## Income statement

**for the year ended 31 January 2021**

| £'m | Notes | 2021 Before exceptional items | 2021 Exceptional items (note 6) | 2021 Total | 2020 Before exceptional items | 2020 Exceptional items (note 6) | 2020 Total |
|---|---|---|---|---|---|---|---|
| **Sales** | 4 | **3,594.5** | - | **3,594.5** | 3,180.9 | - | 3,180.9 |
| Cost of sales | | **(2,186.9)** | - | **(2,186.9)** | (1,962.2) | (2.9) | (1,965.1) |
| **Gross profit** | | **1,407.6** | - | **1,407.6** | 1,218.7 | (2.9) | 1,215.8 |
| Selling and distribution expenses | | **(1,026.1)** | **6.1** | **(1,020.0)** | (984.5) | (21.0) | (1,005.5) |
| Administrative expenses | | **(212.8)** | **0.2** | **(212.6)** | (191.7) | (0.2) | (191.9) |
| Other income | 5 | **13.8** | **1.3** | **15.1** | 12.5 | 1.7 | 14.2 |
| **Operating profit** | | **182.5** | **7.6** | **190.1** | 55.0 | (22.4) | 32.6 |
| Finance costs | 7 | **(1.4)** | - | **(1.4)** | (1.6) | - | (1.6) |
| Finance income | 7 | **22.4** | - | **22.4** | 109.1 | - | 109.1 |
| Net finance income | | **21.0** | - | **21.0** | 107.5 | - | 107.5 |
| **Profit before taxation** | 8 | **203.5** | **7.6** | **211.1** | 162.5 | (22.4) | 140.1 |
| Income tax expense | 10 | **(39.2)** | **(1.1)** | **(40.3)** | (60.5) | 3.5 | (57.0) |
| **Profit for the year** | | **164.3** | **6.5** | **170.8** | 102.0 | (18.9) | 83.1 |

All of the above transactions relate to continuing operations.

# B&Q Limited

## Statement of comprehensive income

**for the year ended 31 January 2021**

| £m | Notes | 2021 | 2020 |
|---|---|---|---|
| **Profit for the year** | | **170.8** | 83.1 |
| Actuarial losses on post-employment benefits | 21 | **(47.2)** | (303.8) |
| Return on post-employment benefit plan assets excluding interest income | 21 | **107.1** | 360.3 |
| Tax on items that will not be reclassified | | **(22.9)** | (22.7) |
| **Total items that will not be reclassified subsequently to profit or loss** | | **37.0** | 33.8 |
| Cash flow hedges | | | |
| Fair value gains | | **(7.9)** | 1.5 |
| Losses transferred to inventories | | **3.0** | (11.7) |
| Tax on items that may be reclassified | | **1.1** | 1.8 |
| **Total items that may be reclassified subsequently to profit or loss** | | **(3.8)** | (8.4) |
| **Other comprehensive income for the year** | | **33.2** | 25.4 |
| **Total comprehensive income for the year** | | **204.0** | 108.5 |

# B&Q Limited

## Statement of changes in equity

As at 31 January 2021

| | Attributable to equity shareholders of the Company | | | | | |
|---|---|---|---|---|---|---|
| £'m | Share capital | Share premium | Retained earnings | Translation reserve | Cash flow hedge reserve | Total |
| **At 1 February 2020** | **680.7** | **1,333.8** | **48.4** | **3.3** | **(7.2)** | **2,059.0** |
| Profit for the year | - | - | **170.8** | - | - | **170.8** |
| Other comprehensive income for the year | - | - | **37.0** | - | **(3.8)** | **33.2** |
| **Total comprehensive income for the year** | - | - | **207.8** | - | **(3.8)** | **204.0** |
| Share-based compensation (note 23) | - | - | **(2.2)** | - | - | **(2.2)** |
| Tax on share-based payment transactions | - | - | - | - | - | - |
| **At 31 January 2021** | **680.7** | **1,333.8** | **254.0** | **3.3** | **(11.0)** | **2,260.8** |
| At 1 February 2019 | 680.7 | 1,803.3 | 2,448.7 | 3.3 | 1.2 | 4,937.2 |
| Profit for the year | - | - | 83.1 | - | - | 83.1 |
| Other comprehensive loss for the year | - | - | 33.8 | - | (8.4) | 25.4 |
| **Total comprehensive income for the year** | - | - | 116.9 | - | (8.4) | 108.5 |
| Share-based compensation (note 23) | - | - | (5.2) | - | - | (5.2) |
| Tax on share-based payment transactions | - | - | - | - | - | - |
| Share premium reduction | - | (469.5) | - | - | - | (469.5) |
| Dividends paid on equity shares (note 11) | - | - | (2,512.0) | - | - | (2,512.0) |
| At 31 January 2020 | 680.7 | 1,333.8 | 48.4 | 3.3 | (7.2) | 2,059.0 |

# B&Q Limited

## Balance sheet

**As at 31 January 2021**

| £'m | Notes | 2021 | 2020 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | 311.4 | 301.0 |
| Investments | 13 | - | - |
| Post-employment benefits | 21 | 590.7 | 518.9 |
| Deferred tax assets | 19 | 18.7 | 16.3 |
| Trade and other receivables | 15 | 1,342.6 | 1,328.7 |
| | | 2,263.4 | 2,164.9 |
| **Current assets** | | | |
| Inventories | 14 | 568.3 | 575.4 |
| Trade and other receivables | 15 | 440.7 | 254.7 |
| Derivative assets | 18 | 0.2 | 0.5 |
| Cash and cash equivalents | | 59.2 | 19.1 |
| | | 1,068.4 | 849.7 |
| **Total assets** | | 3,331.8 | 3,014.6 |
| **Current liabilities** | | | |
| Trade and other payables | 16 | (728.4) | (613.4) |
| Borrowings | 17 | (2.2) | (3.8) |
| Derivative liabilities | 18 | (13.5) | (9.2) |
| Current tax liabilities | | (21.2) | (45.1) |
| Provisions | 20 | (5.3) | (7.8) |
| | | (770.6) | (679.3) |
| **Non-current liabilities** | | | |
| Other payables | 16 | (56.1) | (58.7) |
| Borrowings | 17 | (19.0) | (17.2) |
| Derivative liabilities | 18 | (0.3) | - |
| Deferred tax liabilities | 19 | (210.6) | (185.0) |
| Provisions | 20 | (14.4) | (15.4) |
| | | (300.4) | (276.3) |
| **Total liabilities** | | (1,071.0) | (955.6) |
| **Net assets** | | 2,260.8 | 2,059.0 |
| **Equity** | | | |
| Share capital | 22 | 680.7 | 680.7 |
| Share premium | 22 | 1,333.8 | 1,333.8 |
| Retained earnings | 22 | 254.0 | 48.4 |
| Translation reserve | 22 | 3.3 | 3.3 |
| Cash flow hedge reserve | 22 | (11.0) | (7.2) |
| **Total equity** | | 2,260.8 | 2,059.0 |

The notes on pages 20 to 42 form part of these financial statements.

The financial statements of B&Q Limited (Registered Number 00973387) were approved by the Board of Directors on 18 October 2021 and signed on its behalf by:

Graham Bell.

G Bell
Director

# B&Q Limited

## Notes to the financial statements

**for the year ended 31 January 2021**

## 1 General information

B&Q Limited (the 'Company') is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is B&Q House, Chestnut Avenue, Chandlers Ford, Eastleigh, Hampshire, United Kingdom, SO53 3LE. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 1 to 8.

## 2 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The Company has applied the amendments to FRS 102 issued by the FRC in December 2017 with effect from 1 January 2019.

These financial statements are separate financial statements. The Company is exempt under section 400 of the Companies Act 2006 from the preparation of consolidated financial statements as it is included in the group financial statements of its ultimate parent, Kingfisher plc, which are publicly available.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in these separate Company financial statements in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

b. Going Concern

Based on the Company's liquidity position and cash flow projections, including a forward looking Covid-19 scenario, the directors of B&Q Limited have a reasonable expectation that the Company has 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 annual financial statements.

### 2 Significant accounting policies (continued).

c. Revenue recognition

Sales represent the supply of home improvement products and services. Sales exclude Value Added Tax, other sales-related taxes and are net of returns, trade and staff discounts.

Revenue is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue relating to sales of in-store products is generally recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the product and on cash receipt. Where customers have a right to return purchased goods in exchange for a refund, a liability for returns is recognised within other payables and is based on historic trends and offset against revenue and cost of sales in the period in which the sale was made. Where award credits such as vouchers or loyalty points are provided as part of the sales transaction, the amount allocated to the credits is deferred and recognised when the credits are redeemed and the Company fulfils its obligations to supply the awards.

For delivered products and services, sales are recognised either when the product has been delivered or when the service has been performed.

Other income is generally composed primarily of external rental income and profits and losses on disposal of assets. Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are capitalised and then depreciated on a straight line basis over the lease term.

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

d. Rebates

Rebates received from suppliers mainly comprise volume related rebates on the purchase of inventories. Contractual volume related rebates are accrued as units are purchased based on the percentage rebate applicable to forecast total purchases over the rebate period, where it is probable the rebates will be received and the amounts can be estimated reliably. Discretionary rebates are not anticipated and only recognised once earned. Rebates relating to inventories purchased but still held at the balance sheet date are deducted from the carrying value so that the cost of inventories is recorded net of applicable rebates. Such rebates are credited to the cost of sales line in the income statement when the goods are sold.

Other rebates received, such as those related to advertising and marketing, are recognised in the income statement when the relevant conditions have been fulfilled.

e. Dividends

Interim dividends are recognised when they are paid to the Company's shareholders. Final dividends are recognised when they are approved by the Company's shareholders.

f. Foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction or, for practical reasons, at average monthly rates where exchange rates do not fluctuate significantly.

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange at the balance sheet date. Exchange differences on monetary items are taken to the income statement.

## 2 Significant accounting policies (continued)

g. Investments

Investments in subsidiaries are included in the balance sheet at cost, plus any fair value gains or less any provisions for impairment.

h. Property, plant and equipment

(i) Cost
Property, plant and equipment held for use in the business are carried at cost less accumulated depreciation and any provisions for impairment.

(ii) Depreciation
Depreciation is provided to reflect a straight line reduction from cost to estimated residual value over the estimated useful life of the asset as follows:

| | | |
|---|---|---|
| Long leasehold buildings | – | over remaining useful life |
| Short leasehold land and buildings | – | over remaining period of the lease |
| Fixtures and fittings | – | between 4 and 25 years |

Long leaseholds are defined as those having remaining lease terms of more than 50 years. Asset lives and residual values are reviewed at each balance sheet date.

(iii) Assets under construction
Assets in the course of construction are held within property, plant and equipment until they become ready for use. At this point, they are transferred in to use and depreciated over the useful life.

(iv) Borrowing costs for assets under construction
Borrowing costs which are directly attributable to the construction of property, plant and equipment are capitalised as part of the cost of those assets. Capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

(v) Impairment
Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future pre-tax cash flows ('value-in-use') of the relevant cash generating unit or fair value less costs to sell if higher. The discount rate applied is based upon the Company's weighted average cost of capital with appropriate adjustments for the risks associated with the relevant cash generating unit. Any impairment in value is charged to the income statement in the period in which it occurs.

(vi) Disposal
The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement. Sales of land and buildings are accounted for when there is an unconditional exchange of contracts.

(vii) Subsequent costs
Subsequent costs are included in the related asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.
All other repairs and maintenance are charged to the income statement in the period in which they are incurred.

## 2 Significant accounting policies (continued)

i. Leased assets

Where assets are financed by leasing agreements which give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the lower of the fair value or the present value of the minimum lease payments during the lease term at the inception of the lease. The assets are depreciated over the shorter of the lease term or their useful life. Obligations relating to finance leases, net of finance charges in respect of future periods, are included, as appropriate, under borrowings due within or after one year. The finance charge element of rentals is charged to finance costs in the income statement over the lease term.

All other leases are operating leases and the rental payments are generally charged to the income statement in the period to which the payments relate, except for those leases which incorporate fixed minimum rental uplift clauses. Leases which contain fixed minimum rental uplifts are charged to the income statement on a straight line basis over the lease term.

Incentives received or paid to enter into lease agreements are released to the income statement on a straight line basis over the lease term.

j. Inventories

Inventories are carried at the lower of cost and net realisable value, on a weighted average cost basis.

Trade discounts and rebates received are deducted in determining the cost of purchase of inventories. Cost includes appropriate attributable overheads and direct expenditure incurred in the normal course of business in bringing goods to their present location and condition. Costs of inventories include the transfer from equity of any gains or losses on qualifying cash flow hedges relating to purchases.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Write downs to net realisable value are made for slow moving, damaged or obsolete items and other events or conditions resulting in expected selling prices being lower than cost. The carrying value of inventories reflects known and expected losses of product in the ordinary course of business.

k. Employee benefits

(i) Post-employment benefits
Kingfisher plc operates, on behalf of the Company, a defined benefit and a defined contribution pension scheme for its employees. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement. A defined contribution plan is a pension plan under which the Company usually pays fixed contributions into a separate entity. In each case a separate fund is being accumulated to meet the accruing liabilities. The assets of each of these funds are either held under trusts or managed by insurance companies, and are held entirely separate from the Company's assets.

Defined contribution scheme
For defined contribution plans, the Company pays contributions to privately administered pension plans on a contractual basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit scheme
The asset or liability recognised in the balance sheet in respect of defined benefit pension plans is the fair value of scheme assets less the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the statement of comprehensive income as they arise.

## 2 Significant accounting policies (continued)

k. Employee benefits (continued)

(ii) Share-based compensation
The Company participates in several equity-settled, share-based compensation plans. The plans are settled on vesting with ultimate parent company shares and accounted for as equity-settled arrangements. As a result, the income statement account is charged with the expense with the corresponding entry to equity. On vesting of the individual arrangements, the employee obligation is settled by Kingfisher plc and the Company is recharged for the award.

The fair value of the Company's employees' services received in exchange for the grant of options or deferred shares is recognised as an expense and is calculated using Black-Scholes and stochastic models. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or deferred shares granted, excluding the impact of any non-market vesting conditions. The value of the charge is adjusted to reflect expected and actual levels of options vesting due to non-market vesting conditions.

l. Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year.

Taxable profit differs from profit before taxation as reported in the income statement because it excludes items of income or expense which are taxable or deductible in other years or which are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences or unused tax losses can be utilised. Deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill in a business combination. Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Current and deferred tax are calculated using tax rates which have been enacted or substantively enacted by the balance sheet date and are expected to apply in the period when the liability is settled or the asset is realised.

Current and deferred tax are charged or credited to the income statement, except when they relate to items charged or credited directly to equity, in which case the current or deferred tax is also recognised directly in equity.

Current and deferred tax assets and liabilities are offset against each other when they relate to income taxes levied by the same tax jurisdiction and when the Company intends to settle its current tax assets and liabilities on a net basis.

## 2 Significant accounting policies (continued)

m. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate which reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

n. Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the Company has substantially transferred the risks and rewards of ownership. Financial liabilities (or a part of a financial liability) are derecognised when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets and liabilities are offset only when the Company has a currently enforceable legal right to set-off the respective recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less.

(ii) Borrowings
Interest bearing borrowings are recorded at the proceeds received, net of direct issue costs and subsequently measured at amortised cost. Where borrowings are in designated and effective fair value hedge relationships, adjustments are made to their carrying amounts to reflect the hedged risks. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are amortised to the income statement using the effective interest method.

(iii) Trade receivables
Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost less any provision for bad and doubtful debts.

(iv) Trade payables
Trade payables are initially recognised at fair value and are subsequently measured at amortised cost.

(v) Fair value measurement
The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

## 2 Significant accounting policies (continued)

n. Financial instruments (continued)

(vi) Derivatives and hedge accounting
Where hedge accounting is not applied, or to the extent to which it is not effective, changes in the fair value of derivatives are recognised in the income statement as they arise. Changes in the fair value of derivatives transacted as hedges of operating items and financing items are recognised in operating profit and net finance costs respectively.

Derivatives are initially recorded at fair value on the date a derivative contract is entered into and are subsequently carried at fair value. The accounting treatment of derivatives and other financial instruments classified as hedges depends on their designation, which occurs at the start of the hedge relationship. The Company designates certain financial instruments as:
• a hedge of the fair value of an asset or liability or unrecognised firm commitment ('fair value hedge'); or
• a hedge of a highly probable forecast transaction or firm commitment ('cash flow hedge').

Fair value hedges

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry being recorded in the income statement. Gains or losses from remeasuring the corresponding hedging instrument are recognised in the same line of the income statement.

Cash flow hedges
Changes in the effective portion of the fair value of derivatives that are designated as hedges of future cash flows are recognised directly in equity, with any ineffective portion being recognised immediately in the income statement where relevant. If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of a non-financial asset or liability, then, at the time it is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the non-financial asset or liability. For hedges that result in the recognition of a financial asset or liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

o. Exceptional items

The separate reporting of exceptional items, which are presented as exceptional within their relevant income statement category, helps provide an indication of the Company's ongoing business performance. The principal items which are included as exceptional items are the costs of significant restructuring.

### 3 Critical accounting estimates and judgements

The preparation of the financial statements under FRS 102 requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates, judgements and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

**Sources of estimation uncertainty**

As required, the Company applies procedures to ensure that its assets are carried at no more than their recoverable amount. The procedures, by their nature, require estimates and assumptions to be made. The most significant are set out below.

**Impairment of assets**

Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable, or where there is any indication that an impairment loss recognised in a previous period either no longer exists or has decreased. When a review for impairment is conducted, the recoverable amount of an asset or a cash generating unit is determined as the higher of fair value less costs to sell and value-in-use.

During the year, net impairment reversals of £9.9m (2020: £21.0m impairment charges) have been recognised as exceptional items. The following changes in assumptions are based on management's judgement, which represent possible changes that would lead to impacts on the net impairment. A 1% increase in the discount rate would decrease the net impairment reversal by £0.7m and a 1% decrease in the long-term growth rate would decrease the net impairment reversal by £0.3m.

**Inventories**

The carrying amount of inventories recognised on the balance sheet, which are carried at the lower of cost and net realisable value, are subject to estimates around rates of provision applied to certain inventory items. The level of provisions recorded are subject to estimation uncertainty in determining the eventual sales price of goods to customers in the future, as well as assessing which items may be slow-moving or obsolete. This is impacted by factors such as stock turn, range or delisted status, shrinkage, damage, obsolescence and range review activity.

Range reviews and resulting clearance activity adds additional complexity to assessing the level of inventory that may become obsolete and the expected net realisable value of inventory which will be sold.

The carrying amount of inventories subject to estimation uncertainty is £568.3m (2020: £575.4m). A 1% increase in the provision as a percentage of gross inventory (before provisions and a deduction for rebates), which based on management's judgment represents a possible change, would result in a £6.2m decrease in the carrying amount of inventories (2020: £6.3m).

The quantity, age and condition of inventories are regularly measured and assessed as part of range reviews and inventory counts undertaken throughout the year.

**Post-employment benefits**

The present value of the defined benefit liabilities recognised on the balance sheet is dependent on a number of market rates and assumptions including interest rates of high quality corporate bonds, inflation and mortality rates. The net interest expense or income is dependent on the interest rates of high quality corporate bonds and the net deficit or surplus position. The market rates and assumptions are based on the conditions at the time and changes in these can lead to significant movements in the estimated obligations. To help the reader understand the impact of changes in the key market rates and assumptions, a sensitivity analysis is provided in note 21.

# B&Q Limited

## Notes to the financial statements (continued)

**for the year ended 31 January 2021**

### 4 Sales

| £'m | 2021 | 2020 |
|---|---|---|
| Sale of goods | **3,587.0** | 3,173.2 |
| Rendering of services | **7.5** | 7.7 |
| **Sales** | **3,594.5** | 3,180.9 |

All sales arose in the United Kingdom.

### 5 Other income

| £'m | 2021 | 2020 |
|---|---|---|
| Rent receivable and concession income | **14.0** | 13.6 |
| Royalties income | **1.1** | 0.6 |
| **Other income** | **15.1** | 14.2 |

### 6 Exceptional items

| £'m | 2021 | 2020 |
|---|---|---|
| **Included within *cost of sales*** | | |
| Storage costs in stock | **-** | (2.9) |
| | **-** | (2.9) |
| **Included within *selling and distribution expenses*** | | |
| Charge for restructuring | **(3.8)** | - |
| Credit for impairment | **14.9** | - |
| Charge for impairment | **(5.0)** | (21.0) |
| | **6.1** | (21.0) |
| **Included within *administrative expenses*** | | |
| Credit / (charge) for restructuring | **0.2** | (0.2) |
| | **0.2** | (0.2) |
| **Included within *other income*** | | |
| Other income | **1.3** | 1.7 |
| | **1.3** | 1.7 |
| **Exceptional items before tax** | **7.6** | (22.4) |
| Tax on exceptional items | **(1.1)** | 3.5 |
| **Exceptional items** | **6.5** | (18.9) |

The charge for restructuring in selling and distribution expenses relates to an increase in property provisions due to expected future costs in relation to subtenants.

The £14.9m impairment reversal in selling and distribution expenses has been recognised in respect of fixtures and fittings and other leasehold improvements associated with stores that have previously been impaired, but which now have a greater value-in-use than the impaired asset value. The £5.0m impairment charge in selling and distribution costs has been recognised in respect of fixtures and fittings and other leasehold improvements associated with stores that have a value-in-use that is less than asset value.

Exceptional other income of £1.3m primarily consists of the release of an onerous lease provision on surrender of a property.

# B&Q Limited

## Notes to the financial statements (continued)

**for the year ended 31 January 2021**

### 7 Net finance income

| £m | 2021 | 2020 |
|---|---|---|
| Finance leases | (1.3) | (1.3) |
| Other interest payable | (0.1) | (0.3) |
| **Finance costs** | **(1.4)** | (1.6) |
| Net interest income on defined benefit pension schemes | 8.4 | 11.2 |
| Interest receivable from Group undertakings | 14.0 | 97.9 |
| **Finance income** | **22.4** | 109.1 |
| | | |
| **Net finance income** | **21.0** | 107.5 |

### 8 Profit before taxation

The following items of revenue have been credited in arriving at profit before taxation:

| £m | 2021 | 2020 |
|---|---|---|
| Sales | **3,594.5** | 3,180.9 |
| Other income | 15.1 | 14.2 |
| **Revenue** | **3,609.6** | 3,195.1 |

The following items of expense have been charged in arriving at profit before taxation:

| £m | 2021 | 2020 |
|---|---|---|
| Operating lease rentals | | |
| - Minimum lease payments – Property | **298.6** | 305.9 |
| - Minimum lease payments – Equipment | **9.2** | 4.8 |
| | **307.8** | 310.7 |
| Depreciation of property, plant and equipment and investment property | | |
| - Owned assets | **61.4** | 56.9 |
| - Under finance leases | **3.0** | 1.5 |
| Impairment of property, plant and equipment and investment property | **(9.9)** | 21.0 |
| Impairment of inventory | **7.6** | (1.3) |
| Loss on disposal | | |
| - Fixtures, fittings and equipment | **0.6** | 0.4 |
| Net foreign exchange (gain)/loss | **0.2** | (0.3) |
| Audit fees payable to the Company's auditor | | |
| - fees payable to the Company's auditor for the audit of the Company's annual accounts | **0.2** | 0.2 |

Non-audit fees to the Company's auditor amounted to £nil (2020: £nil).

## 9 Employees and directors

| £'m | 2021 | 2020 |
|---|---|---|
| Wages and salaries | 414.0 | 355.0 |
| Social security costs | 21.9 | 19.7 |
| Post-employment benefits | | |
| - Defined contribution (note 21) | 19.4 | 18.8 |
| - Defined benefit (note 21) | 5.4 | 4.9 |
| Share-based compensation (note 23) | 2.6 | 3.3 |
| **Employee benefit expenses** | **463.3** | **401.7** |

| Number | 2021 | 2020 |
|---|---|---|
| Stores | 23,231 | 21,697 |
| Administration | 961 | 1,168 |
| **Average number of persons employed** | **24,192** | **22,865** |

Directors' remuneration

| £'m | 2021 | 2020 |
|---|---|---|
| Short-term employee benefits | 3.8 | 2.9 |
| Termination benefits | - | 0.3 |
| Share-based compensation | 0.3 | 0.1 |
| **Directors' remuneration** | **4.1** | **3.3** |

The number of directors who:

| Number | 2021 | 2020 |
|---|---|---|
| Are members of a defined benefit pension scheme | - | - |
| Are members of a defined contribution pension scheme | - | - |
| Exercised options during the period | 3 | 2 |
| Had awards receivable in the form of shares under long-term incentive scheme | 8 | 8 |

Remuneration of the highest paid director

| £'m | 2021 | 2020 |
|---|---|---|
| Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes | 0.7 | 0.6 |

The highest paid director did not exercise share options in the year, they are not a member of the defined benefit pension scheme and they had no accrued entitlements. They did receive shares under long-term incentive schemes. There were no company contributions to a money purchase pension scheme.

### 10 Income tax expense

| £'m | 2021 | 2020 |
|---|---|---|
| **UK corporation tax** | | |
| Current tax on profits for the year | **42.8** | 34.7 |
| Adjustments in respect of prior years | **(1.9)** | 27.6 |
| | **40.9** | 62.3 |
| **Overseas tax** | | |
| Current tax on profits for the year | **0.3** | 0.2 |
| | **0.3** | 0.2 |
| **Deferred tax** | | |
| Current year | **(0.1)** | (3.5) |
| Effect of change in tax rate expense | **(1.3)** | 0.2 |
| Adjustments in respect of prior years | **0.5** | (2.2) |
| | **(0.9)** | (5.5) |
| **Income tax expense** | **40.3** | 57.0 |

**Factors affecting tax charge for the year**
The Company's profits for this accounting period are taxed at a rate of 19% (2019/20: 19%).

Following the UK Budget announcement on 3 March 2021, the corporation tax rate will increase from 19% to 25% with effect from 1 April 2023. As this rate change had not been substantively enacted by the balance sheet date, the impact is not included in these financial statements. Had the 25% tax rate been substantively enacted, the effect would be to reduce the net deferred tax liability as reported of £191.9m by £4.0m.

The tax charge for the year differs from the standard rate of corporation tax in the UK of 19% (2019/20: 19%). The differences are explained below:

| £'m | 2021 | 2020 |
|---|---|---|
| Profit before taxation | **211.1** | 140.1 |
| Profit multiplied by the standard rate of corporation tax in the UK of 19% | **40.1** | 26.6 |
| Net income not chargeable for tax purposes | **-** | (0.3) |
| Net expenses not deductible for tax purposes | **2.9** | 4.7 |
| Adjustments in respect of prior years | **(1.4)** | 25.4 |
| Adjustments in respect of changes in tax rates | **(1.3)** | 0.6 |
| **Income tax expense** | **40.3** | 57.0 |

### 11 Dividends

There was no dividend declared or paid during the year (2020: dividends of £2,512.0m, representing £3.47 per ordinary share, were declared and paid).

### 12 Property, plant and equipment

| £'m | Land and buildings | Fixtures, fittings and equipment | Total |
|---|---|---|---|
| **Cost** | | | |
| At 1 February 2020 | 241.2 | 1,369.3 | 1,610.5 |
| Additions | 6.7 | 59.3 | 66.0 |
| Disposals | - | (9.4) | (9.4) |
| At 31 January 2021 | 247.9 | 1,419.2 | 1,667.1 |
| **Depreciation** | | | |
| At 1 February 2020 | (184.7) | (1,124.8) | (1,309.5) |
| Charge for the year | (10.0) | (54.4) | (64.4) |
| Impairment | 5.1 | 4.8 | 9.9 |
| Disposals | - | 8.3 | 8.3 |
| At 31 January 2021 | (189.6) | (1,166.1) | (1,355.7) |
| **Net carrying amount** | | | |
| At 31 January 2021 | 58.3 | 253.1 | 311.4 |
| At 31 January 2020 | 56.5 | 244.5 | 301.0 |

Following an impairment review, it was deemed that the value-in-use was higher than the book value of some assets, therefore an impairment credit of £9.9m (2020: charge of £21.0m) has been recognised.

| **Assets in the course of construction included above at net carrying amount** | | | |
|---|---|---|---|
| At 31 January 2021 | 2.7 | 47.8 | 50.5 |
| At 31 January 2020 | - | 42.8 | 42.8 |

| **Assets held under finance leases included above at net carrying amount** | | | |
|---|---|---|---|
| At 31 January 2021 | 4.9 | 9.2 | 14.1 |
| At 31 January 2020 | 5.8 | 7.0 | 12.8 |

Cumulative finance costs capitalised included in the cost of tangible fixed assets amount to £1.1m (2020: £1.3m).

Land and buildings are analysed as follows:

| £'m | 2021 | 2020 |
|---|---|---|
| Long leasehold | 4.9 | 5.8 |
| Short leasehold | 53.4 | 50.7 |
| **Net carrying amount** | 58.3 | 56.5 |

Included in land and buildings is leasehold land that is in effect a prepayment for the use of land and is accordingly being amortised on a straight line basis over the estimated useful life of the assets. The net carrying amount of leasehold land included in land and buildings at 31 January 2021 is £35.6m (2020: £33.3m).

## 13 Investments

| £'m | Investment in subsidiaries |
|---|---|
| At 1 February 2020 and 31 January 2021 | - |

### Interests in Group undertakings

| | Address | Country of Incorporation | Class of share | % owned | Activity |
|---|---|---|---|---|---|
| Dickens Limited | B&Q House Chestnut Avenue, Chandlers Ford, Eastleigh, Hampshire, SO53 3LE | England & Wales | Ordinary | 100 | Dormant |

Subsidiary undertakings have not been consolidated by the Company as permitted by s.400 of the Companies Act 2006 as they are consolidated in the financial statements of Kingfisher plc.

## 14 Inventories

| £'m | 2021 | 2020 |
|---|---|---|
| Finished goods for resale | **568.3** | 575.4 |

Included within finished goods for resale is a deduction for rebates to reflect inventories that have not been sold at the balance sheet date.

There is no material difference between the balance sheet value of inventories and their replacement cost. The cost of inventories recognised as an expense and included in cost of sales for the year ended 31 January 2021 is £1,783.5m (2020: £1,633.8m).

## 15 Trade and other receivables

| £'m | 2021 | 2020 |
|---|---|---|
| **Non-current** | | |
| Amounts owed by fellow subsidiaries in the group | **1,342.6** | 1,328.7 |
| | **1,342.6** | 1,328.7 |
| **Current** | | |
| Trade receivables | **7.0** | 10.6 |
| Amounts owed by fellow subsidiaries in the group | **393.3** | 188.8 |
| Prepayments | **38.3** | 51.5 |
| Other receivables | **2.1** | 3.8 |
| | **440.7** | 254.7 |
| **Trade and other receivables** | **1,783.3** | 1,583.4 |

Interest is received on the non-current amounts owed by fellow subsidiaries in the group at a rate of LIBOR + 0.85%. The amounts are unsecured and were due for repayment on 22 January 2021, however the agreement was renewed after the balance sheet date and extended by 3 years, therefore has been recognised as non-current.

The current amounts owed by Group undertakings as at 31 January 2021 are unsecured with no fixed maturity and are repayable on demand. Interest is received at a rate of 0.17% (2020: 0.69%).

## 16 Trade and other payables

| £'m | 2021 | 2020 |
|---|---|---|
| **Current** | | |
| Trade payables | 440.4 | 393.4 |
| Amounts owed to fellow subsidiaries in the group | 57.0 | 58.0 |
| Other taxation and social security | 47.0 | 37.9 |
| Accruals and deferred income | 123.0 | 85.1 |
| Other payables | 61.0 | 39.0 |
| | 728.4 | 613.4 |
| **Non-current** | | |
| Other payables | 56.1 | 58.7 |
| | 56.1 | 58.7 |
| **Trade and other payables** | 784.5 | 672.1 |

The amount owed to group undertakings has no fixed maturity, is repayable on demand and is unsecured. Interest is payable at a rate of 0.17% (2020: 0.69%).

Other payables are repayable as follows:

| £'m | 2021 | 2020 |
|---|---|---|
| Less than one year | 61.0 | 39.0 |
| One to five years | 32.4 | 32.1 |
| More than five years | 23.7 | 26.6 |
| | 117.1 | 97.7 |

## 17 Borrowings

| £'m | 2021 | 2020 |
|---|---|---|
| **Current** | | |
| Finance leases | 2.2 | 3.8 |
| | 2.2 | 3.8 |
| **Non-current** | | |
| Finance leases | 19.0 | 17.2 |
| | 19.0 | 17.2 |

Future minimum lease payments under finance leases are as follows:

| £'m | 2021 | 2020 |
|---|---|---|
| Less than one year | 2.2 | 3.8 |
| One to five years | 14.3 | 12.8 |
| More than five years | 4.7 | 4.4 |
| | 21.2 | 21.0 |

## 18 Derivatives

| £'m | 2021 | 2020 |
|---|---|---|
| Foreign exchange contracts | 0.2 | 0.5 |
| **Derivative assets** | **0.2** | 0.5 |

| | | |
|---|---|---|
| Foreign exchange contracts | (13.8) | (9.2) |
| **Derivative liabilities** | **(13.8)** | (9.2) |

| £'m | 2021 Derivative assets | 2021 Derivative liabilities | 2020 Derivative assets | 2020 Derivative liabilities |
|---|---|---|---|---|
| Less than one year | 0.2 | (13.5) | 0.5 | (9.2) |
| One to five years | - | (0.3) | - | - |
| | 0.2 | (13.8) | 0.5 | (9.2) |

The fair values are calculated by discounting future cash flows arising from the instruments and adjusted for credit risk. These fair value measurements are all made using observable market rates of interest, foreign exchange and credit risk.

Forward foreign exchange contracts hedge currency exposures of forecast inventory purchases. At 31 January 2021 the amount of such contracts is £300.6m (2020: £273.7m). The associated fair value gains and losses will be transferred to inventories when the purchases occur during the next 12 months. Gains of £3.0m (2020: losses of £11.7m) have been transferred to inventories for contracts which matured during the year.

## 19 Deferred tax

| £'m | 2021 | 2020 |
|---|---|---|
| Deferred tax assets | 18.7 | 16.3 |
| Deferred tax liabilities | (210.6) | (185.0) |
| | (191.9) | (168.7) |

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so.

Deferred tax is provided as follows:

| £'m | 2021 | 2020 |
|---|---|---|
| Accelerated tax depreciation | 15.1 | 13.8 |
| Gains on property | (3.8) | (3.3) |
| Provisions | 1.0 | 0.8 |
| Post-employment benefits | (206.8) | (181.6) |
| Other | 2.6 | 1.6 |
| Total deferred tax | (191.9) | (168.7) |

The net deferred tax liability expected to reverse in the year beginning 1 February 2021 is £(5.6m). This primarily relates to timing differences on fixed assets. In addition, the effect of restating the above deferred tax balances from 19% to 25% (where applicable) following the Finance Bill 2021 would lead to a reduction in the deferred tax liability of £4.0m (see note 10).

| £'m | Total |
|---|---|
| At 1 February 2020 | (168.7) |
| Credit to income statement | 0.9 |
| Credit to other comprehensive income | (24.1) |
| At 31 January 2021 | (191.9) |
| | |
| At 1 February 2019 | (149.9) |
| Charge to income statement | 5.5 |
| Credit to other comprehensive income | (24.3) |
| At 31 January 2020 | (168.7) |

### 20 Provisions

| £'m | Onerous property contracts | Restructuring | Total |
|---|---|---|---|
| At 1 February 2020 | 10.8 | 12.4 | 23.2 |
| Charged to the income statement | 3.3 | 5.9 | 9.2 |
| Released to income statement | (1.3) | (3.9) | (5.2) |
| Utilised in the year | (2.7) | (4.8) | (7.5) |
| Balance transfer | 0.2 | (0.2) | - |
| At 31 January 2021 | 10.3 | 9.4 | 19.7 |
| | | | |
| At 1 February 2019 | 10.5 | 18.0 | 28.5 |
| Charged to the income statement | 2.6 | - | 2.6 |
| Released to income statement | (0.8) | (1.4) | (2.2) |
| Utilised in the year | (1.5) | (4.4) | (5.9) |
| Unwinding of discount | - | 0.2 | 0.2 |
| At 31 January 2020 | 10.8 | 12.4 | 23.2 |
| | | | |
| Current liabilities | 2.2 | 3.1 | 5.3 |
| Non-current liabilities | 8.1 | 6.3 | 14.4 |
| | 10.3 | 9.4 | 19.7 |

Within the onerous property contracts provisions, the Company has provided against future liabilities for all properties sublet at a shortfall and long-term idle properties, along with properties acquired on acquisition of subsidiaries at above market rents. Such provisions exclude those relating to restructuring programmes which are included in the restructuring provisions. The provisions are based on the present value of the future cash outflows relating to rent, rates and service charges.

Restructuring provisions include the estimated costs of the Company's restructuring programmes as detailed further in note 6, which primarily relate to future idle property costs.

These provisions continue to unwind in line with the lengths of the leases to which they relate.

## 21 Post-employment benefits

The Company participates in both a funded defined benefit scheme and a funded defined contribution scheme.

**Defined contribution schemes**

Pension costs for the defined contribution scheme, at rates specified in the scheme's rules, are as follows:

| £'m | 2021 | 2020 |
|---|---|---|
| Charge to operating profit | **19.4** | 18.8 |

From July 2012, an enhanced defined contribution scheme was offered to all Company employees. Eligible Company employees have been automatically enrolled into the defined contribution scheme since 31 March 2013.

**Defined benefit schemes**

The Company is one of a number of Group companies that participate in the Kingfisher Pension Scheme, and therefore the Company has accounted for its share of the scheme assets and liabilities. The valuation of the scheme has been based on the most recent actuarial valuation as at 31 March 2019 and has been updated to 31 January 2021. Adjustments to the valuation at that date have been made based on the assumptions outlined below.

Following the valuation carried out as at 31 March 2019 the estimated amount of contributions expected to be paid to the pension scheme by the Company during the next financial year is £9.6m (2020: £8.9m). The contribution schedule has been derived 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 final salary pension scheme was closed to future benefit accrual with effect from July 2012.

The Trust Deed provides Kingfisher with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business the Trustee has no rights to unilaterally wind up, or otherwise augment the benefits due to members of, the scheme. Based on these rights, any net surplus in the scheme is recognised in full.

In 2010/11 and 2011/12 the Company entered into two phases of a property partnership arrangement with the scheme Trustee to address an element of the scheme deficit. Further details on this arrangement are given in note 28 of the consolidated financial statements of Kingfisher plc, the Company's ultimate parent. The reported pension position reflects the Company's share of the resulting scheme asset.

**Income statement**

| £'m | 2021 | 2020 |
|---|---|---|
| Current service cost | **(2.0)** | (2.0) |
| Past service cost | **(0.5)** | - |
| Administration costs | **(2.9)** | (2.9) |
| Net interest income | **8.4** | 11.2 |
| Total credited to income statement | **3.0** | 6.3 |

## 21 Post-employment benefits (continued)

**Balance sheet**
Movements in the present value of the defined benefit obligation and the fair value of scheme assets are as follows:

| £'m | Defined benefit obligation | Scheme assets | Total |
|---|---|---|---|
| At 1 February 2020 | **(2,763.9)** | **3,282.8** | **518.9** |
| Current service cost | **(2.0)** | **-** | **(2.0)** |
| Past service cost | **(0.5)** | **-** | **(0.5)** |
| Administration costs | **-** | **(2.9)** | **(2.9)** |
| Interest (expense)/income | **(43.3)** | **51.7** | **8.4** |
| Actuarial losses (1) | **(47.2)** | **-** | **(47.2)** |
| Return on plan assets excluding interest income | **-** | **107.1** | **107.1** |
| Contributions paid by employer | **-** | **8.9** | **8.9** |
| Benefits paid | **112.5** | **(112.5)** | **-** |
| At 31 January 2021 | **(2,744.4)** | **3,335.1** | **590.7** |

| £'m | Defined benefit obligation | Scheme assets | Total |
|---|---|---|---|
| At 1 February 2019 | (2,522.1) | 2,966.4 | 444.3 |
| Current service cost | (2.0) | - | (2.0) |
| Administration costs | - | (2.9) | (2.9) |
| Interest (expense)/income | (61.5) | 72.7 | 11.2 |
| Actuarial losses (1) | (303.8) | - | (303.8) |
| Return on plan assets excluding interest income | - | 360.3 | 360.3 |
| Contributions paid by employer | - | 11.8 | 11.8 |
| Benefits paid | 125.5 | (125.5) | - |
| At 31 January 2020 | (2,763.9) | 3,282.8 | 518.9 |

(1) Representing the total amounts recognised in other comprehensive income for the year.

The fair value of scheme assets is analysed as follows:

| £'m | 2021 | 2020 |
|---|---|---|
| Equities | **184.6** | 173.5 |
| Government and corporate bonds | **2,509.7** | 2,429.2 |
| Property | **13.0** | 20.4 |
| Cash and other | **627.8** | 659.7 |
| Total fair value of scheme assets | **3,335.1** | 3,282.8 |

The return on plan assets was:

| £'m | 2021 | 2020 |
|---|---|---|
| Interest income | **51.7** | 72.7 |
| Return on plan assets less interest income | **107.1** | 360.3 |
| Total return on plan assets | **158.8** | 433.0 |

## 21 Post-employment benefits (continued)

**Principal actuarial valuation assumptions**

The assumptions used in calculating the costs and obligations of the defined benefit pension scheme is set 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.

The 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.

| Annual % rate | 2021 | 2020 |
|---|---|---|
| Discount rate | **1.5** | 1.6 |
| Price inflation | **2.9** | 2.9 |
| Rate of pension increases | **2.8** | 2.8 |

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 base mortality assumptions have been derived using an analysis of current mortality rates carried out by Club Vita for the Trustee and the CMI life expectancy projection model data published by the UK actuarial profession. The latter allowance is in line with CMI 2018 improvements subject to a long-term rate of 1.5% p.a. for both males and females. The assumptions for life expectancy of UK scheme members are as follows:

| Years | 2021 | 2020 |
|---|---|---|
| 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 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 £291m |
| Price inflation | Increase/decrease by 0.5% | Increase/decrease by £232m |
| Rate of pension increases | Increase/decrease by 0.5% | Increase/decrease by £219m |
| Mortality | Increase in life expectancy by one year | Increase by £103m |

### 22 Share capital

| £'m | 2021 | 2020 |
|---|---|---|
| Allotted, called up and fully paid | | |
| 45,663,000 Ordinary shares 5p | 2.3 | 2.3 |
| 678,420,375 Ordinary shares £1 | 678.4 | 678.4 |
| 1,000 Special shares of 5p | - | - |
| 1,000 Special A shares of 5p | - | - |
| | 680.7 | 680.7 |

The ordinary shares of 5p each hold voting rights and have preferential rights to return of capital on a winding up. On a winding up, out of the surplus assets of the Company, the holders of the ordinary shares of £1 are entitled, in priority to any repayment of capital on any other class of shares, to a return of the capital paid up on such ordinary shares after payment of its liabilities and in addition, the sum of £100 per issued ordinary share of £1.

The special shares and the special A shares do not hold voting rights and have limited rights to capital on a winding up basis. The holders of special shares are entitled to such dividends as determined by the directors and approved by the Company at general meetings.

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

The retained earnings represent cumulative profits or losses, net of dividends paid and other adjustments.

The translation reserve represents the cumulative effect of currency translation differences.

The cashflow hedge reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in hedging foreign exchange risk in firm commitments or highly probable forecast transactions. Amounts accumulated in this reserve are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

## 23 Share-based payments

The Company participates in a number of share incentive plans including the Kingfisher Alignment Share and Transformation Incentive Plan ('KASTIP'), Kingfisher Incentive Share Plan ('KISP'), Long Term Incentive Plan ('LTIP') and UK ShareSave scheme.

The KASTIP is granted based on a three-year service condition. KISP operates as a deferred bonus, with shares awards deferred for three years. LTIP was granted annually based on performance over a three-year period. Performance conditions were based on EPS, Operating Profit and Kingfisher Economic Profit ('KEP'). All awards are granted as nil cost options and vesting dates may vary according to individual grants.

Under the ShareSave scheme, eligible employees have been invited to enter in to HMRC approved savings contracts for a period of three or five years, whereby shares may be acquired with savings under the contract. The option price is the average market price over three days shortly before the invitation to subscribe, discounted by 20%. Options are exercisable within a six month period from the conclusion of a three or five year period.

The rules of all schemes include provision for the early exercise of options in certain circumstances.

The rights for each of the instruments is granted by the ultimate parent company, Kingfisher plc, and settled by shares in Kingfisher plc. On vesting of the individual arrangements, the employee obligation is settled by Kingfisher plc and the Company is recharged the fair value of the award.

Options have been exercised on a regular basis throughout the year. On that basis, the weighted average share price during the year, rather than at the date of exercise, is £2.36 (2020: £2.19). The number of options outstanding at the end of the year was 14,602,265 (2020: 13,299,330). The outstanding options have exercise prices ranging from nil to £3.06 (2020: nil to £3.15) and a weighted average remaining contractual life of 4.2 years (2020: 4.0 years).

The Company recognised an expense of £2.6m (2020: £3.3m) and was charged £4.8m (2020: £8.5m) by Kingfisher plc in the year ended 31 January 2021 relating to equity-settled share-based payment transactions.

Further details are given in note 31 of the consolidated financial statement of Kingfisher plc, the Company's ultimate parent.

## 24 Commitments

**Operating lease commitments**

The Company is a lessee of various retail stores, offices, warehouses and plant and equipment under lease agreements with varying terms, escalation clauses and renewal rights.

Undiscounted total future minimum rentals payable under non-cancellable operating leases are as follows:

| £'m | 2021 | 2020 |
|---|---|---|
| Less than one year | **302.4** | 294.6 |
| One to five years | **1,036.9** | 1,092.6 |
| More than five years | **814.8** | 1,009.2 |
| | **2,154.1** | 2,396.4 |

Undiscounted total future minimum operating sublease receipts expected to be received are as follows:

| £'m | 2021 | 2020 |
|---|---|---|
| Less than one year | **24.6** | 5.3 |
| One to five years | **5.4** | 15.9 |
| More than five years | **16.0** | 10.2 |
| | **46.0** | 31.4 |

**Capital commitments**

Capital commitments contracted but not provided for by the Company amount to £8.5m (2020: £13.9m).

## 25 Contingent liabilities

The Company has no contingent liabilities outstanding in respect of indemnities and guarantees given by its bankers (2020: £nil). The directors consider that the fair value of the liability arising as a result of these arrangements is immaterial.

The Company has no contingent assets at the period end (2020: £nil).

## 26 Related party transactions

As permitted by FRS 102 the Company has taken advantage of the exemption not to disclose transactions either with its immediate parent undertaking and with other wholly owned subsidiaries of the Kingfisher plc Group.

During the year, the Company made donations totalling £723k (2020: £41k) to B&Q Foundation, a registered charity of which a number of directors are trustees.

As at 31 January 2021 there was £41k (2020: £36k) owed to B&Q Foundation, which is included within other payables.

## 27 Post balance sheet events

Since the balance sheet date, the agreement for the loan owed by a fellow subsidiary in the Kingfisher group was renewed for a further 3 years. The loan is now due for repayment on 22 January 2024 and interest will be received at a rate of 0.93%.

There are no other significant events since the balance sheet date.

## 28 Ultimate parent company

The directors consider Kingfisher Investissements SAS, a company incorporated in France, to be the immediate parent undertaking. Copies of the financial statements of this company may be obtained from the Company Secretary, Kingfisher Investissements SAS, Zone Industrielle, 59175 Templemars, France.

The ultimate parent undertaking and controlling party is Kingfisher plc, a company registered in England and Wales. The largest and smallest group preparing consolidated financial statements of which B&Q Limited is a member is Kingfisher plc. The Annual Report and Financial Statements of Kingfisher plc may be obtained from the Company Secretary, Kingfisher plc, 3 Sheldon Square, Paddington, London, W2 6PX, which is its registered address.