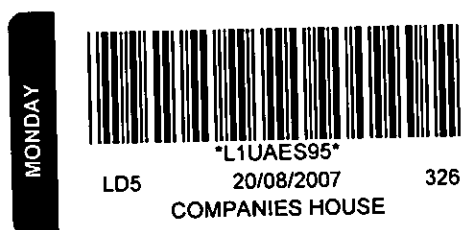




**Screwfix Direct Ltd**  
**(Registered Number 03006378)**

**Directors' Report and Financial Statements**

**For the Year Ended 3<sup>rd</sup> February 2007**



# **Screwfix Direct Ltd**

## **Directors' Report for the Year Ended 3<sup>rd</sup> February 2007**

The directors present their report and the audited financial statements for the year ended 3<sup>rd</sup> February 2007

### **Principal activities**

The company's principal activity during the year was distribution of tools, fixings and equipment by mail order, internet and through trade counters

### **Review of business**

The company delivered strong organic growth in the year through the opening of 31 new Trade Counters across the UK providing increased convenience to customers

The company also continued to expand its customer offer through the addition of new and enhanced ranges of products

Operating profits improved significantly over the prior year reflecting business growth and operating efficiencies

### **Results and dividends and future developments**

The company's profit before taxation amounted to £26,410,000 (2006 £15,998,000) and after taxation £18,685,000 (2006 £10,541,000) No dividend was paid in the year (2006 £nil) The directors propose to transfer the retained profit of £18,685,000 to reserves (2006 £10,541,000)

Both the level of business and year end financial position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future as the business continues to expand to reach more customers through the Trade Counter opening programme

The company remains focussed on competitive pricing and in delivering further operating efficiencies across the business

### **Principal risks and uncertainties**

The key business risks and uncertainties affecting the company are the level of product demand, which is ultimately driven by consumer confidence which has been impacted through recent and possible further rises in interest rates, and securing property to meet the Trade Counter opening programme

### **Financial Risk Management**

The company's operations expose it to a variety of financial risks which include interest rate risk, credit risk, liquidity risk and foreign currency risk

As part of the Kingfisher plc group the company's interest rate and liquidity risks are managed centrally by the Kingfisher group treasury department

## **Screwfix Direct Ltd**

### **Directors' Report for the Year Ended 3rd February 2007 (Continued)**

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. The risk is managed centrally by the Kingfisher group treasury team. The directors are satisfied that the company is not subject to significant liquidity risk.

Credit risk is the risk that a counter party will be unable to pay amounts when they fall due. The company has implemented policies that ensure appropriate credit checks for all third party debts. The exposure of any individual account is low and the directors are satisfied that the appropriate controls are in place to minimise credit risk.

The company is exposed to foreign currency risk on its purchases of inventory denominated in foreign currencies, principally US dollars. This risk is managed through the transacting of foreign currency derivatives with a Kingfisher group company and is managed in conjunction with the Kingfisher treasury department in line with Kingfisher group policies. The directors are satisfied that the application of these policies has minimised such exposure for the company.

#### **Directors and their interests**

The directors who held office during the year are given as follows

S Barrow	(resigned 7 <sup>th</sup> March 2006)
G Adams	
J Colley	
S Willett	
E Eccles	
J Maxwell	(resigned 26 <sup>th</sup> April 2007)
G Bell	(appointed 8 <sup>th</sup> February 2006)
D Lowther	(appointed 9 <sup>th</sup> March 2006)
J Gill	(appointed 29 <sup>th</sup> June 2006)

#### **Disabled persons**

Applications from disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of the members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

#### **Employee participation**

The company continues to develop a policy of direct and systematic communication with employees via the issue of the monthly 'Voice' magazine, Voice in Action employee committees and regular staff meetings.

# **Screwfix Direct Ltd**

## **Directors' Report for the Year Ended 3rd February 2007 (Continued)**

### **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing 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). The financial statements are required by law to 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualification as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that 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 1985. 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.

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

(a) so far as he is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Creditor payment policy**

The company negotiates specific payment terms with each supplier. It is the company's policy to pay its suppliers in accordance with the terms, which have been agreed. Trade creditors at the year end represented 20 days (2006: 21 days) of purchases.

## **Screwfix Direct Ltd**

### **Directors' Report for the Year Ended 3rd February 2007 (Continued)**

#### **Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the forthcoming Annual General Meeting

By Order of the Board

A handwritten signature in black ink, appearing to be 'J B Gil', written over a horizontal line.

J B Gil  
Director

16<sup>th</sup> August 2007

## **Independent auditors' report to the members of Screwfix Direct Ltd**

We have audited the financial statements of Screwfix Direct Ltd for the year ended 3rd February 2007 on pages 7 to 26, which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out pages 10 to 12.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Independent auditors' report to the members of Screwfix Direct Ltd (continued)**

### **Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 3<sup>rd</sup> February 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

*PricewaterhouseCoopers LLP*

**PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London**

**20<sup>th</sup> August 2007**

# Screwfix Direct Ltd

## Profit and Loss Account for the Year Ended 3rd February 2007

		2007	2006
Continuing operations			
	Note	£000	£000
Turnover	2	347,477	271,270
Cost of sales		(237,524)	(195,119)
<b>Gross profit</b>		<b>109,953</b>	<b>76,151</b>
Administrative expenses		(85,222)	(61,192)
<b>Operating profit</b>	3	<b>24,731</b>	<b>14,959</b>
Interest receivable and similar income	4	1,470	1,125
Interest payable and similar charges	5	(13)	(13)
Other finance return / charges	17	222	(73)
<b>Profit on ordinary activities before taxation</b>		<b>26,410</b>	<b>15,998</b>
Taxation	7	(7,725)	(5,457)
<b>Profit for the financial year</b>		<b>18,685</b>	<b>10,541</b>
Dividends		-	-
<b>Retained profit for the year</b>	16	<b>18,685</b>	<b>10,541</b>



## **Screwfix Direct Ltd**

### **Statement of total recognised gains and losses for the year ended 3rd February 2007**

		<b>2007</b>	<b>2006</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
<b>Profit for the financial year</b>		<b>18,685</b>	<b>10,541</b>
Actuarial gain / (loss) on pension scheme	<b>17</b>	<b>4,703</b>	<b>(1,237)</b>
Movement on deferred tax relating to pension liability		<b>(1,411)</b>	<b>371</b>
<b>Total recognised gains &amp; losses relating to the year</b>		<b>21,977</b>	<b>9,675</b>

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents

The notes on pages 10 to 26 form part of these financial statements

# Screwfix Direct Ltd

## Balance Sheet as at 3rd February 2007

		2007	2006
	Note	£000's	£000's
<b>Fixed assets</b>			
Tangible assets	8	44,716	36,986
<b>Current assets</b>			
Stock	9	43,802	30,921
Debtors	10	11,346	9,120
Cash at bank and in hand		31,495	25,781
		<b>86,643</b>	<b>65,822</b>
<b>Creditors – amounts falling due within one year</b>	11	<b>(50,667)</b>	<b>(38,903)</b>
<b>Net current assets</b>		<b>35,976</b>	<b>26,919</b>
<b>Total assets less current liabilities</b>		<b>80,692</b>	<b>63,905</b>
<b>Provisions for liabilities and charges</b>	13	<b>(2,323)</b>	<b>(2,381)</b>
<b>Net assets excluding pension liability</b>		<b>78,369</b>	<b>61,524</b>
Pension liability	17	<b>(518)</b>	<b>(5,650)</b>
<b>Net assets including pension liability</b>		<b>77,851</b>	<b>55,874</b>
<b>Capital and reserves</b>			
Called up share capital	14	<b>50</b>	<b>50</b>
Capital redemption reserve	15	<b>144</b>	<b>144</b>
Profit and loss account	15	<b>77,657</b>	<b>55,680</b>
<b>Equity shareholders' funds</b>	16	<b>77,851</b>	<b>55,874</b>

Approved by the Board on 16<sup>th</sup> August 2007

Signed on behalf of the board of directors

  
J B Gill

Director

The notes on pages 10 to 26 form part of these financial statements

# **Screwfix Direct Ltd**

## **Notes to the Financial Statements – Year ended 3rd February 2007**

### **1 Accounting policies**

The principal accounting policies of the company are as follows. They have all been applied consistently throughout the year and the preceding year, unless otherwise stated

#### **(a) Basis of accounting**

The financial statements of the company are made up to the nearest Saturday to 31st January

The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with applicable Accounting Standards in the United Kingdom

The company is exempt under FRS 1 (Revised) 'Cashflow Statements' from the requirement to publish a cashflow statement, as it is a subsidiary undertaking where more than 90% of the voting rights are controlled within the group, and the consolidated financial statements in which it is included are publicly available. Details of how to obtain a copy of these accounts are given in note 21 on page 26

#### **(b) Turnover**

Turnover represents invoiced sales of goods and supply of services excluding value added tax and is stated net of returns, vouchers and trade discounts

#### **(c) Tangible fixed assets**

Tangible fixed assets are stated at original historical cost less accumulated depreciation. Depreciation is provided at the following annual rates in order to write down to estimated residual value the cost of each asset over its estimated useful life

Fixtures, fittings, plant and equipment - Range of 10 - 50% straight line  
Assets in the course of construction - None, until the assets are brought into use

#### **(d) Stocks**

Stocks are valued at the lower of cost and net realisable value

#### **(e) Taxation**

Corporation tax payable is provided on taxable profits at the current rate

#### **(f) Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except where otherwise required by accounting standards. Provision is made using the incremental liability approach and is measured on a non-discounted basis at the rates that are expected to apply in the periods in which timing differences reverse

## **Screwfix Direct Ltd**

### **Notes to the Financial Statements – Year ended 3rd February 2007**

#### **(g) Pensions**

The Company operates defined benefit and defined contribution pension schemes 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.

In accordance with 'FRS 17 – Retirement benefits', the operating and financial costs of pension and other post-retirement benefits are recognised separately in the profit and loss account. Current service costs are recognised within operating profit and the interest cost and expected return on pension assets included in financing costs.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for actuarial gains or losses and past service costs. 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. An independent 'FRS 17' actuarial valuation is carried out at each balance sheet date.

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight line basis over the vesting period.

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

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.

#### **(h) Finance and operating leases**

All operating lease payments are charged to the profit and loss account in the financial year to which the payments relate on a straight line basis. The cost of assets held under finance leases are included under tangible assets and depreciation is calculated in accordance with the policy for the class of asset concerned. The corresponding obligations under these leases are shown as creditors. The finance charge element of rentals is charged to the profit and loss account as incurred.

# **Screwfix Direct Ltd**

## **Notes to the Financial Statements – Year ended 3rd February 2007**

### **(i) Share based payments**

The Company participates in several equity-settled, share-based compensation plans. The rights for each of the instruments is granted by the ultimate parent company, Kingfisher plc, and settled by shares in Kingfisher plc. These schemes are treated, for accounting purposes, as equity-settled arrangements. As a result, an expense is charged to profit and loss with the corresponding entry to accrued liabilities. 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.

The fair value of the employee services received in exchange for the grant of options or deferred shares is recognised as an expense, and is calculated primarily using Black Scholes and stochastic models. The value of the charge is adjusted to reflect expected and actual levels of options vesting. 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. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 which were unvested as of 1 February 2004.

At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit and loss, with a corresponding adjustment to accruals over the remaining vesting period.

### **(j) Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the contracted rate. Exchange gains and losses are taken into account in arriving at the operating profit.

### **(k) Changes in accounting policies**

The principal accounting policies of the company have been reviewed in accordance with Financial Reporting Standard 18 'Accounting Policies'.

## **2 Segmental reporting**

All the company's activities arose in the United Kingdom.

Turnover is attributable to one class of business.

# Screwfix Direct Ltd

## Notes to the Financial Statements – Year ended 3rd February 2007

### 3 Operating profit

Operating profit is stated after charging

	2007	2006
	£000	£000
Depreciation - owned assets	9,924	7,928
- held under finance lease or hire purchase contracts	130	175
Operating lease payments		
- plant & machinery	262	253
- other	3,394	2,486
Loss on disposal of fixed assets	190	83
Auditors' remuneration		
- audit services	89	91
- non-audit services	5	-
Staff costs (see note 6)	41,031	30,412

### 4 Interest receivable and similar income

	2007	2006
	£000	£000
Interest received on intra-group deposits	1,470	1,125

### 5 Interest payable and similar charges

	2007	2006
	£000	£000
Finance charges under finance lease and hire purchase contracts	13	13

# Screwfix Direct Ltd

## Notes to the Financial Statements – Year ended 3rd February 2007

### 6 Staff costs and directors' remuneration

Particulars of employee costs are as shown below

	2007	2006
	£000	£000
Wages and salaries	37,158	27,111
Social security costs	2,631	2,191
Pension costs	1,242	1,110
	<b>41,031</b>	<b>30,412</b>

The average weekly number of persons employed by the company during the year was

	2007 Number	2006 Number
Warehouse	493	559
Sales and Marketing	1,515	1,124
	<b>2,008</b>	<b>1,683</b>

#### Directors' remuneration:

Staff costs include the following remuneration of directors

	2007 £000	2006 £000
Directors' emoluments	1,856	1,050
Receivable (excluding shares) under long-term incentive schemes	347	252
Compensation for loss of office	-	45
Contributions to defined benefit scheme	124	141
Contributions to defined contribution scheme	9	-

During the year, three directors, including the highest paid director, were entitled to receive shares under a long-term incentive scheme

The number of directors who were members of company pension schemes were

	2007 Number	2006 Number
Money purchase schemes	1	1
Final salary pension scheme	6	6

The highest paid director received emoluments and benefits as follows

	2007 £000	2006 £000
Emoluments and benefits	497	398
Defined benefit pension scheme	22	22

Retirement benefits are accruing to six (2006 six) directors under a defined benefit scheme

During the year, five directors, including the highest paid director exercised options over shares of Kingfisher plc

# Screwfix Direct Ltd

## Notes to the Financial Statements – Year ended 3rd February 2007

### 7 Tax on profit on ordinary activities

The tax charge is based on the taxable profit for the year and comprises

	2007	2006
	£000	£000
<b>Current tax:</b>		
Corporation tax at 30% (2006 –30%)	7,560	4,940
Adjustment in respect of previous periods	(565)	(110)
Total current tax	6,995	4,830
Deferred tax	730	627
<b>Tax on profit on ordinary activities</b>	<b>7,725</b>	<b>5,457</b>

### Factors affecting the tax charge for the period

The tax charge for the period is lower than the standard rate of corporation tax in the UK of 30%. The differences are explained below

	2007	2006
	£000	£000
Profit on ordinary activities before taxation	26,410	15,998
Profit on ordinary activities multiplied by standard rate in the UK (30%)	7,923	4,800
Effects of		
Expenses not deductible for tax purposes	190	156
Timing differences provided for	177	(64)
Adjustments to prior period corporation tax	(565)	(110)
Changes to accounting policy	-	48
<b>Total current tax charge for the period</b>	<b>7,725</b>	<b>4,830</b>

Based on current capital investment plans, the group expects to continue to be able to claim capital allowances in excess of depreciation in future years



# Screwfix Direct Ltd

## Notes to the Financial Statements – Year ended 3rd February 2007

### 8 Tangible fixed assets

	Assets in the Course of Construction £000	Fixtures, Fittings and Equipment £000	Total £000
<b>Cost</b>			
At 28 <sup>th</sup> January 2006	-	54,303	54,303
Additions	909	17,065	17,974
Disposals	-	(621)	(621)
<b>At 3rd February 2007</b>	<b>909</b>	<b>70,747</b>	<b>71,656</b>
<b>Accumulated depreciation</b>			
At 28 <sup>th</sup> January 2006	-	17,317	17,317
Charge for the period	-	10,054	10,054
Disposals	-	(431)	(431)
<b>At 3rd February 2007</b>	<b>-</b>	<b>26,940</b>	<b>26,940</b>
<b>Net book value</b>			
At 3rd February 2007	909	43,807	44,716
At 28 <sup>th</sup> January 2006	-	36,986	36,986

The net book value of assets held under finance lease or hire purchase contracts included above were

	2007 £000	2006 £000
Fixtures, fittings and equipment	5	135

### 9 Stock

	2007 £000	2006 £000
Goods for resale	43,802	30,921

# Screwfix Direct Ltd

## Notes to the Financial Statements – Year ended 3rd February 2007

### 10 Debtors

	2007	2006
	£000	£000
Trade debtors	9,045	6,415
Amounts owed from group undertakings	132	86
Other debtors	167	490
Prepayments & accrued income	2,002	2,129
	<b>11,346</b>	<b>9,120</b>

Amounts owed from group undertakings are unsecured, interest free and repayable on demand

### 11 Creditors - amounts falling due within one year

	2007	2006
	£000	£000
Trade creditors	10,168	10,358
Amounts owed to group undertakings	3,543	2,637
Obligations under finance leases and hire purchase contracts	2	175
Corporation tax	2,761	2,294
Other tax and social security	6,010	5,325
Other creditors	18	34
Accruals and deferred income	28,165	18,080
	<b>50,667</b>	<b>38,903</b>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand

### 12 Obligations under finance leases and hire purchase contracts

	2007	2006
	£000	£000
Due within one year	2	188
Due in two to five years	-	-
Total gross payments	2	188
Less finance charges included above	-	(13)
	<b>2</b>	<b>175</b>

# Screwfix Direct Ltd

## Notes to the Financial Statements – Year ended 3rd February 2007

### 13 Provisions for liabilities and charges

	2007 £000	2006 £000
<b>Deferred tax provision excluding deferred tax on pension asset</b>		
As at 28 <sup>th</sup> January 2006	2,381	2,387
Movement during the year	(58)	(6)
As at 3rd February 2007	2,323	2,381

Deferred taxation provided in the financial statements is as follows -

	2007 £000	2006 £000
Accelerated capital allowances	2,659	2,459
Other timing differences	(311)	(69)
Deferred tax excluding that relating to pension liability	2,348	2,390
Deferred tax relating to pension liability	(222)	(2,421)
Deferred tax relating to share based payments	(25)	(9)
Total provision for deferred tax	2,101	(40)
28 <sup>th</sup> January 2006	(40)	
Deferred tax credit in profit and loss account (note 7)	730	
Deferred tax credit to the statement of total recognised gains and losses	1,411	
As at 3rd February 2007	2,101	

### 14 Called up share capital

	2007 £000	2006 £000
<b>Authorised</b>		
Ordinary shares of £1 each	100	100
<b>Allotted, issued and fully paid</b>		
Ordinary 'A' shares of £1 each	4	4
Ordinary 'C' shares of £1 each	46	46
Ordinary 'D' shares of £0.00001 each	0	0
	50	50

# Screwfix Direct Ltd

## Notes to the Financial Statements – Year ended 3rd February 2007

### 15 Reserves

	Capital Redemption Reserve	Profit and Loss Account
	£000	£000
At 28 <sup>th</sup> January 2006 as previously reported	144	55,680
Retained profit for the year		18,685
Actuarial gain on the pension scheme		4,703
Movement on deferred tax relating to the actuarial loss		(1,411)
At 3rd February 2007	144	77,657

### 16 Reconciliation of Movement in Shareholders' funds

	2007	2006
	£000	£000
Opening equity shareholders' funds as previously reported	55,874	52,878
Prior year adjustment – FRS 17	-	(6,676)
Prior year adjustment – FRS 20	-	(3)
Opening equity shareholders' funds as restated	55,874	46,199
Retained profit for the year	18,685	10,541
Actuarial gain / (loss) on the pension scheme	4,703	(1,237)
Movement on deferred tax relating to the actuarial (loss)/ gain	(1,411)	371
Closing equity shareholders' funds	77,851	55,874

# Screwfix Direct Ltd

## Notes to the Financial Statements – Year ended 3rd February 2007

### 17 Pension arrangements

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

The total pension charge in the profit and loss account for the UK defined contribution scheme was £0.2m (2006 £0.1m)

#### Defined benefit schemes

With reference to the defined benefit scheme, the Kingfisher Pension Scheme, Screwfix Direct Limited is one of a member of Group companies that participate in the scheme, and therefore the Company has accounted for its share of the scheme assets and liabilities. The valuation of the scheme used for FRS 17 has been based on the most recent actuarial valuation of the Group's UK scheme at 31 March 2004 and has been updated to 3 February 2007.

The amounts included in the balance sheet, within the net provision liability, arising from the Company's obligations in respect of its defined benefit retirement scheme, are determined as follows:

The amounts recognised in the balance sheet is determined as follows:

£000	2007	2006
Present value of defined benefit obligations	(41,194)	(43,124)
Fair value of scheme assets	40,454	35,053
Net liability	(740)	(8,071)
Related deferred tax asset	222	2,421
	(518)	(5,650)

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

Annual % rate	2007	2006
Discount rate	5.3	4.7
Salary escalation	4.5	4.3
Rate of pension increases	2.9	2.7
Price inflation	2.9	2.7

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

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

# Screwfix Direct Ltd

## Notes to the Financial Statements – Year ended 3rd February 2007

The main financial assumption is the real discount rate, i.e. the excess of the discount rate over the rate of inflation. If this assumption increased/decreased by 0.1%, the defined benefit obligation would decrease/increase by approximately £888,000, and the annual UK current service cost would decrease/increase by approximately £29,600.

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

At 3 February 2007 we have further strengthened the mortality rate assumption implying an increase in the assumed life expectancies. This has the impact of increasing the defined benefit obligation by 4% compared to the base previously used. Based on the revised assumptions the assumed average age of death for a pensioner currently aged 60 is 85.1 for a male and 86.3 for a female. The assumed average age of death for a non-pensioner aged 60 in 15 years time is 86.2 for a male and 87.5 for a female. These assumptions will be reviewed following the next funding valuation due no later than as at 31 March 2007.

The amounts recognised in the profit and loss account are as follows

£000	2007	2006
Amounts charged to operating profit		
Current service cost	(992)	(931)
Total operating charge	(992)	(931)
Amounts credited/(charged) to other finance costs		
Expected return on pension scheme assets	2,164	1,708
Interest on pension scheme liabilities	(1,942)	(1,781)
Net financing return/(cost)	222	(73)
Total charged to the profit and loss account	(770)	(1,004)

The actual return on pension scheme assets is as follows

The actual return on pension scheme assets was as follows

£000	2007	2006
Actual return on pension scheme assets	3,128	5,384

Movements in the present value of defined benefit obligations on the balance sheet are as follows

Obligations £000	2007	2006
Defined benefit obligation at beginning of year	(43,124)	(35,550)
Total service cost charged in the profit and loss account	(992)	(931)
Interest charge	(1,942)	(1,781)
Actuarial gains / (losses)	3,739	(4,913)
Contributions paid by employees	(322)	(828)
Benefits paid	1,447	879
Defined benefit obligation at end of year	(41,194)	(43,124)

# Screwfix Direct Ltd

## Notes to the Financial Statements – Year ended 3rd February 2007

Movements in the fair value of scheme assets on the balance sheet are as follows

Assets £000	2007	2006
Fair value of plan assets at beginning of year	35,053	26,610
Expected return of pension scheme assets	2,164	1,708
Actuarial gains	964	3,676
Contributions paid by employer	3,398	3,110
Contributions paid by employees	322	828
Benefits paid	(1,447)	(879)
Fair value of plan assets at end of year	40,454	35,053

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

£000	2007		2006	
Equities	20,868	52%	18,487	53%
Bonds	15,164	37%	12,994	37%
Property	3,590	9%	2,844	8%
Other	832	2%	728	2%
Total market value of assets	40,454	100%	35,053	100%

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

The history of experience adjustments is as follows

£000	2007	2006	2005	2004
Present value of defined benefit obligations	(41,194)	(43,124)	(35,550)	(33,468)
Fair value of scheme assets	40,454	35,053	26,610	27,270
Net liability in the scheme	(740)	(8,071)	(8,940)	(6,198)

The amounts recognised in the profit and loss reserve were as follows

The amounts recognised in the profit and loss reserve were as follows

£000	2007	2006	2005	2004
Actual return less expected return on pension scheme assets	964	3,676	1,290	2,130
Percentage of scheme assets	2.4%	10.5%	4.8%	7.8%
Experience loss arising on pension scheme liabilities	15	(9)	(420)	(150)
Percentage of scheme liabilities	0.0%	0.0%	1.2%	0.4%
Changes in assumptions underlying present value of scheme liabilities	3,724	(4,904)	(3,690)	(1,620)
Percentage of scheme liabilities	(9.0%)	11.4%	10.4%	4.8%
Total amount recognised in profit and loss reserve	4,703	(1,237)	(2,820)	360

The estimated amounts of contributions expected to be paid to the pension scheme during the next financial year is £2.7m

## Screwfix Direct Ltd

### Notes to the Financial Statements – Year ended 3rd February 2007

#### 18 Share Based Payments

	Options	2007 Weighted average exercise price £
Outstanding at beginning of year	383,292	1.41
Granted during the year <sup>1 2</sup>	607,416	0.9
Forfeited during the year	(58,240)	1.97
Exercised during the year	(427)	1.76
Outstanding at the end of the year	932,041	1.04
Exercisable at the end of the year	12,000	1.46

<sup>1</sup> The charge to the income statement for the years ended 3 February 2007 in respect of share-based payments includes the first year's charge of the 2007 Kingfisher Incentive Scheme (KIS) share grants, based on the cash bonus for the year. Since grants under the KIS are made following the year end to which the first year of charge relates, it is not possible to give the number of options granted until after the year end.

<sup>2</sup> The weighted average exercise price for options granted during the period represents a blend of nil price KIS options and discounted ShareSave options (see below).

The Company participates in a number of share option schemes including the Kingfisher Incentive Scheme, Kingfisher Retention Plan, Performance Share Plan and UK ShareSave Plan.

The Kingfisher Incentive Scheme, Kingfisher Retention Plan and Performance Share Plan are the principal share option schemes available to eligible Kingfisher employees. A full description of the Scheme and its operation is provided on the Remuneration Report on pages 43 to 51 of the Kingfisher plc annual report and accounts.

Under the UK ShareSave Plan, eligible UK employees have been invited to enter into Inland Revenue approved savings contracts for a period of three or five years, whereby shares may be acquired with repayments under the contract. The option price has been the average market price over three days shortly before an offer to subscribe, discounted by a maximum of 20%. Options are exercisable within a six-month period from the conclusion of a three or five-year period.

The rules of the Kingfisher Incentive Scheme, Participation Share Plan, Kingfisher Retention Plan and ShareSave Plans include provision for the early exercise of options in certain circumstances.

The fair value of share options and deferred shares is obtained using the Black-Scholes and stochastic option pricing models. The inputs into these models are as follows:



# Screwfix Direct Ltd

## Notes to the Financial Statements – Year ended 3rd February 2007

Scheme	Date of grant	Share price at grant	Exercise price	Expected volatility	Expected life	Gross dividend yield	Risk free rate	Fair value
		£	£	%	years	%	%	£
<b>Kingfisher Incentive Share Scheme</b>								
	05/04/04	2.91	-	35.0%	3.5	3.7%	4.7%	2.58
	05/04/04	2.91	-	35.0%	3.5	3.7%	4.7%	1.61
	28/04/04	2.86	-	35.0%	3.5	3.7%	4.7%	2.54
	28/04/04	2.86	-	35.0%	3.5	3.7%	4.7%	1.58
	06/04/05	2.86	-	35.0%	3.5	3.7%	4.6%	2.55
	06/04/05	2.86	-	35.0%	3.5	3.7%	4.6%	1.62
	10/04/06	2.31	-	19.8%	3.5	4.6%	4.5%	2.01
	10/04/06	2.31	-	19.8%	3.5	4.6%	4.5%	0.77
<b>Performance Share Plan</b>								
	28/06/06	2.29	-	19.8%	3.5	0.0%	4.9%	1.04
	24/10/06	2.65	-	19.6%	3.5	0.0%	5.0%	1.36
<b>Kingfisher Retention Plan</b>								
	16/03/06	2.48	-	21.9%	1.5	4.3%	4.4%	2.38
	16/03/06	2.48	-	18.9%	2.5	4.3%	4.4%	2.28
	28/06/06	2.29	-	18.9%	2.5	4.3%	4.4%	2.11
<b>ShareSave</b>								
	22/10/04	3.08	2.45	35.0%	3.5	3.3%	4.5%	0.98
	22/10/04	3.08	2.45	35.0%	5.5	3.3%	4.6%	1.08
	27/10/05	2.01	1.76	35.0%	3.5	5.3%	4.3%	0.49
	27/10/05	2.01	1.76	35.0%	5.5	5.3%	4.4%	0.52
	26/10/06	2.65	1.97	19.9%	3.5	4.0%	4.0%	0.75
	26/10/06	2.65	1.97	28.1%	5.5	4.0%	4.0%	0.86

Options were exercised on a regular basis throughout the period. On that basis, the weighted average share price during the year, rather than at the date of exercise, was £2.43 (2006: £2.49). The options outstanding at the end of the year have a weighted average remaining contractual life of 3.63 years (2006: 4.23 years). The

# Screwfix Direct Ltd

## Notes to the Financial Statements – Year ended 3rd February 2007

weighted average exercise price for share options outstanding at the end of the year was £1.39 (2006 £1.63)

Expected volatility was determined for each individual award, by calculating the historical volatility of the Group's share price immediately prior to the grant of the award, over the same period as the vesting period of each award, adjusted by management's expectation of future volatility. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Company recognised a total expense of £639,000 in the year ended 3 February 2007 (2006 £295,000) relating to share based payments transactions. The total carrying amount for liabilities arising from share based payments transactions at the end of the year was £934,000 (2006 £295,000).

### 19 Capital and other commitments

	2007 £000	2006 £000
Contracts placed for future capital expenditure not provided in the financial statements	18,817	642

### 20 Financial Commitments

At 3rd February 2007 the company had annual commitments under non-cancellable operating leases expiring as follows:

	Land and Buildings		Other	
	2007 £000	2006 £000	2007 £000	2006 £000
Within 1 year	-	-	63	43
Between 1 and 2 years	-	-	222	80
Between 2 and 5 years	-	-	357	240
Between 5 and 10 years	5,211	250	-	-
Between 10 and 15 years	425	-	-	-
Between 15 and 20 years	135	-	-	-
Between 20 and 25 years	1,915	2,390	-	-
Annual commitments	7,686	2,640	642	363

## **Screwfix Direct Ltd**

### **Notes to the Financial Statements – Year ended 3rd February 2007**

#### **21 Ultimate parent undertaking**

The directors consider B & Q plc, a company registered in England and Wales, to be the immediate parent company. Copies of financial statements of this company can be obtained from The Company Secretary, B & Q Plc, Portswood House, 1 Hampshire Corporate Park, Chandlers Ford, Eastleigh, Hampshire, SO53 3YX.

The ultimate parent company and controlling party is Kingfisher plc, a company registered in England and Wales. The Annual report and Accounts of Kingfisher plc may be obtained from The Company Secretary, Kingfisher plc, 3 Sheldon Square, Paddington, London, W2 6PX.

#### **22 Related Parties**

In accordance with Financial Reporting Standard No 8 Related Party Disclosures, the company is exempt from disclosing transactions with entities that are part of the group, as it is a more than ninety per cent owned subsidiary undertaking of a parent whose consolidated financial statements are publicly available.

During the year the company carried out a number of transactions with related parties in the normal course of business and on an arms length basis.

During the year the company operated a group banking arrangement with its ultimate parent undertaking Kingfisher plc. The credit balance on this account at the year end was £29,127,000 (2006 £24,557,000). It is not considered meaningful to disclose the aggregate value of the cash sweeping transactions during the year. Net interest received by the company under this arrangement amounted to £1,470,000 (2006 £1,125,000).