



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

**Directors' Report and Financial Statements**

**For the Year Ended 2<sup>nd</sup> February 2008**

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# **Screwfix Direct Ltd**

## **Directors' Report for the Year Ended 2<sup>nd</sup> February 2008**

The directors present their report and the audited financial statements for the year ended 2<sup>nd</sup> February 2008

### **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 continued to expand during the year through the opening of 55 new Trade Counters across the UK providing increased convenience to customers

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

The Company commissioned and opened its second major warehouse during the year to provide replenishment for the expanding Trade Counter estate

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

Further information on Screwfix Direct Ltd and an analysis using financial key performance indicators, can be found in the following sections of the Kingfisher plc Annual report 'Kingfisher at a glance' on pages 2 - 3, and in the Operating review on pages 8 - 31

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

The company's profit before taxation amounted to £27,874,000 (2007 £26,410,000) and after taxation £19,646,000 (2007 £18,685,000) No dividend was paid in the year (2007 £nil) The directors propose to transfer the retained profit of £19,646,000 to reserves (2007 £18,685,000)

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 and securing property to meet the Trade Counter opening programme The level of product demand is impacted through current and possible further rises in interest rates, as well as the wider economic situation and current economic slowdown

### **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

## **Screwfix Direct Ltd**

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

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

G Adams	(resigned 31 <sup>st</sup> March 2008)
J Colley	(resigned 29 <sup>th</sup> August 2008)
S Willett	
E Eccles	
J Maxwell	(resigned 26 <sup>th</sup> April 2007)
G Bell	
D Lowther	
J Gill	

### **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 2<sup>nd</sup> February 2008 (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 18 days (2007: 20 days) of purchases.

## **Screwfix Direct Ltd**

### **Directors' Report for the Year Ended 2<sup>nd</sup> February 2008 (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 Gill', with a long horizontal stroke extending to the right.

J B Gill  
Director

11 September 2008

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

We have audited the financial statements of Screwfix Direct Ltd for the year ended 2nd February 2008, 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 therein.

### **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 2<sup>nd</sup> February 2008 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**

**11 September 2008**

# Screwfix Direct Ltd

## Profit and Loss Account for the Year Ended 2nd February 2008

		2008	2007
		£000	£000
<b>Continuing operations</b>	<b>Note</b>		
Turnover	2	435,210	347,477
Cost of sales		(296,976)	(237,524)
<b>Gross profit</b>		<b>138,234</b>	<b>109,953</b>
Administrative expenses		(111,578)	(85,222)
<b>Operating profit</b>	3	<b>26,656</b>	<b>24,731</b>
Interest receivable and similar income	4	788	1,470
Interest payable and similar charges	5	(2)	(13)
Other finance return / charges	17	432	222
<b>Profit on ordinary activities before taxation</b>		<b>27,874</b>	<b>26,410</b>
Taxation	7	(8,228)	(7,725)
<b>Profit for the financial year</b>		<b>19,646</b>	<b>18,685</b>
Dividends		-	-
<b>Retained profit for the year</b>	16	<b>19,646</b>	<b>18,685</b>

The notes on pages 10 to 27 form part of these financial statements



## Screwfix Direct Ltd

### Statement of total recognised gains and losses for the year ended 2<sup>nd</sup> February 2008

		2008	2007
	<i>Note</i>	£000	£000
<b>Profit for the financial year</b>		<b>19,646</b>	<b>18,685</b>
Actuarial gain on pension scheme	17	1,445	4,703
Movement on deferred tax relating to pension liability		(404)	(1,411)
<b>Total recognised gains &amp; losses relating to the year</b>		<b>20,687</b>	<b>21,977</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 27 form part of these financial statements

# Screwfix Direct Ltd

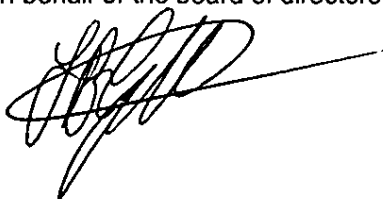
## Balance Sheet as at 2nd February 2008

		2008	2007
	Note	£000's	£000's
<b>Fixed assets</b>			
Tangible assets	8	77,018	44,716
<b>Current assets</b>			
Stock	9	75,968	43,802
Debtors	10	25,578	11,346
Cash at bank and in hand		16,298	31,495
		<b>117,844</b>	<b>86,643</b>
<b>Creditors – amounts falling due within one year</b>	11	<b>(95,272)</b>	<b>(50,667)</b>
<b>Net current assets</b>		<b>22,572</b>	<b>35,976</b>
<b>Total assets less current liabilities</b>		<b>99,590</b>	<b>80,692</b>
<b>Provisions for liabilities and charges</b>	13	<b>(3,501)</b>	<b>(2,323)</b>
<b>Net assets excluding pension asset/ liability</b>		<b>96,089</b>	<b>78,369</b>
Pension asset/ (liability)	17	2,449	(518)
<b>Net assets including pension asset/ liability</b>		<b>98,538</b>	<b>77,851</b>
<b>Capital and reserves</b>			
Called up share capital	14	50	50
Capital redemption reserve	15	144	144
Profit and loss account	15	98,344	77,657
<b>Equity shareholders' funds</b>	16	<b>98,538</b>	<b>77,851</b>

Approved by the Board on 11 September 2008

Signed on behalf of the board of directors

J B Gill  
Director



The notes on pages 10 to 27 form part of these financial statements

# **Screwfix Direct Ltd**

## **Notes to the Financial Statements – Year ended 2<sup>nd</sup> February 2008**

### **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 2<sup>nd</sup> February 2008**

### **(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 asset or 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 2<sup>nd</sup> February 2008**

### **(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 2<sup>nd</sup> February 2008**

#### **3 Operating profit**

Operating profit is stated after charging

	2008	2007
	£000	£000
Depreciation - owned assets	13,253	9,924
- held under finance lease or hire purchase contracts	5	130
Operating lease payments		
- plant & machinery	253	262
- other	7,936	3,394
Loss on disposal of fixed assets	417	190
Auditors' remuneration		
- audit services	91	89
- non-audit services	-	5
Staff costs (see note 6)	44,315	41,031

#### **4 Interest receivable and similar income**

	2008	2007
	£000	£000
Interest received on intra-group deposits	788	1,470

#### **5 Interest payable and similar charges**

	2008	2007
	£000	£000
Finance charges under finance lease and hire purchase contracts	2	13

## Screwfix Direct Ltd

### Notes to the Financial Statements – Year ended 2<sup>nd</sup> February 2008

#### 6 Staff costs and directors' remuneration

Particulars of employee costs are as shown below

	2008	2007
	£000	£000
Wages and salaries	40,198	37,158
Social security costs	3,057	2,631
Pension costs	1,060	1,242
	<b>44,315</b>	<b>41,031</b>

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

	2008	2007
	Number	Number
Stores	1,560	548
Home fulfilment	692	1,094
Office and administration	376	366
	<b>2,628</b>	<b>2,008</b>

#### Directors' remuneration

Staff costs include the following remuneration of directors

	2008	2007
	£000	£000
Directors' emoluments	1,809	1,856
Receivable (excluding shares) under long-term incentive schemes	348	347
Compensation for loss of office	143	-
Contributions to defined benefit scheme	118	124
Contributions to defined contribution scheme	14	9

During the year, two 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

	2008	2007
	Number	Number
Money purchase schemes	1	1
Final salary pension scheme	6	6

The highest paid director received emoluments and benefits as follows

	2008	2007
	£000	£000
Emoluments and benefits	511	497
Defined benefit pension scheme	22	22

Retirement benefits are accruing to six (2007 six) directors under a defined benefit scheme

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

# Screwfix Direct Ltd

## Notes to the Financial Statements – Year ended 2<sup>nd</sup> February 2008

### 7 Tax on profit on ordinary activities

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

	2008	2007
	£000	£000
<b>Current tax</b>		
Corporation tax at 30% (2007 30%)	6,270	7,560
Adjustment in respect of previous periods	11	(565)
<b>Total current tax</b>	<b>6,281</b>	<b>6,995</b>
<b>Deferred tax</b>		
Current deferred tax charge	2,017	730
Adjustment in respect of previous periods	85	-
Effect of rate change on timing differences	(155)	-
<b>Total deferred tax</b>	<b>1,947</b>	<b>730</b>
<b>Tax on profit on ordinary activities</b>	<b>8,228</b>	<b>7,725</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

	2008	2007
	£000	£000
<b>Profit on ordinary activities before taxation</b>	<b>27,874</b>	<b>26,410</b>
<b>Profit on ordinary activities multiplied by standard rate in the UK (30%) (2007 30%)</b>	<b>8,362</b>	<b>7,923</b>
<b>Effects of</b>		
Expenses not deductible for tax purposes	371	190
Timing differences provided for	(446)	177
Adjustments to prior period corporation tax	96	(565)
Change in tax rate	(155)	-
<b>Total current tax charge for the period</b>	<b>8,228</b>	<b>7,725</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

The rate of corporation tax was reduced to 28% on 1 April 2008. As a result the deferred tax on timing differences has been provided at the rate which is expected to apply when the timing differences reverse, the effect of this is a reduction in the deferred tax charge of £155k (2007 £nil)



# Screwfix Direct Ltd

## Notes to the Financial Statements – Year ended 2<sup>nd</sup> February 2008

### 8 Tangible fixed assets

	Assets in the Course of Construction £000	Fixtures, Fittings and Equipment £000	Total £000
<b>Cost</b>			
At 3 <sup>rd</sup> February 2007	909	70,747	71,656
Additions	-	45,977	45,977
Transfers	(909)	909	-
Disposals	-	(853)	(853)
<b>At 2<sup>nd</sup> February 2008</b>	<b>-</b>	<b>116,780</b>	<b>116,780</b>
<b>Accumulated depreciation</b>			
At 3 <sup>rd</sup> February 2007	-	26,940	26,940
Charge for the period	-	13,258	13,258
Disposals	-	(436)	(436)
<b>At 2<sup>nd</sup> February 2008</b>	<b>-</b>	<b>39,762</b>	<b>39,762</b>
<b>Net book value</b>			
At 2 <sup>nd</sup> February 2008	-	77,018	77,018
At 3 <sup>rd</sup> February 2007	909	43,807	44,716

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

	2008 £000	2007 £000
Fixtures, fittings and equipment	-	5

### 9 Stock

	2007 £000	2007 £000
Goods for resale	75,968	43,802

# Screwfix Direct Ltd

## Notes to the Financial Statements – Year ended 2<sup>nd</sup> February 2008

### 10 Debtors

	2008	2007
	£000	£000
Trade debtors	12,444	9,045
Amounts owed from group undertakings	223	132
Other debtors	1,638	167
Prepayments & accrued income	11,273	2,002
	<b>25,578</b>	<b>11,346</b>

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

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

	2008	2007
	£000	£000
Trade creditors	43,040	10,168
Amounts owed to group undertakings	2,186	3,543
Obligations under finance leases and hire purchase contracts	-	2
Corporation tax	2,977	2,761
Other tax and social security	6,702	6,010
Other creditors	129	18
Accruals and deferred income	40,238	28,165
	<b>95,272</b>	<b>50,667</b>

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

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

	2008	2007
	£000	£000
Due within one year	-	2
Due in two to five years	-	-
Total gross payments	-	2
Less finance charges included above	-	-
	<b>-</b>	<b>2</b>

# Screwfix Direct Ltd

## Notes to the Financial Statements – Year ended 2<sup>nd</sup> February 2008

### 13 Provisions for liabilities and charges

	2008 £000	2007 £000
<b>Deferred tax provision excluding deferred tax on pension asset</b>		
As at 3 <sup>rd</sup> February 2007	2,323	2,381
Movement during the year	1,178	(58)
As at 2 <sup>nd</sup> February 2008	3,501	2,323

Deferred taxation provided in the financial statements is as follows -

	2008 £000	2007 £000
Accelerated capital allowances	4,085	2,659
Other timing differences	(316)	(311)
Deferred tax excluding that relating to pension asset/ liability	3,769	2,348
Deferred tax relating to pension asset/ liability	953	(222)
Deferred tax relating to share based payments	(270)	(25)
Total provision for deferred tax	4,452	2,101
As at 3 <sup>rd</sup> February 2007	2,101	
Deferred tax charge in profit and loss account (note 7)	1,947	
Deferred tax charge to the statement of total recognised gains and losses	404	
As at 2 <sup>nd</sup> February 2008	4,452	

### 14 Called up share capital

	2008 £000	2007 £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 2<sup>nd</sup> February 2008

### 15 Reserves

	Capital Redemption Reserve	Profit and Loss Account
	£000	£000
At 3 <sup>rd</sup> February 2007	144	77,657
Retained profit for the year	-	19,646
Actuana! gain on the pension scheme	-	1,445
Movement on deferred tax relating to the actuana! loss	-	(404)
At 2 <sup>nd</sup> February 2008	144	98,344

### 16 Reconciliation of Movement in Shareholders' funds

	2008	2007
	£000	£000
Opening equity shareholders' funds	77,851	55,874
Retained profit for the year	19,646	18,685
Actuana! gain on the pension scheme	1,445	4,703
Movement on deferred tax relating to the actuana! gain	(404)	(1,411)
Closing equity shareholders' funds	98,538	77,851

### 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 3m (2007 £0 2m)

#### 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 actuana! valuation of the Group's UK scheme at 31 March 2007 and has been updated to 2 February 2008

# Screwfix Direct Ltd

## Notes to the Financial Statements – Year ended 2<sup>nd</sup> February 2008

### Principal actuarial valuation assumptions

The assumptions used in calculating the costs and obligations of the defined benefit pension plan as shown in the table below are set after consultation with independent professionally qualified actuaries

Annual % rate	2008	2007
Discount rate	6.2	5.3
Salary escalation	4.1	4.5
Rate of pension increases	3.3	2.9
Price inflation	3.3	2.9
<hr/>		
% rate of return	2008	2007
Equities	8.1	7.8
Bonds	5.3	4.9
Property	6.7	6.3
Other	4.3	3.9
Overall expected rate of return	6.8	6.5

The discount rate is based on the yield on the iBoxx over 15-year AA-rated Sterling corporate bond index  
The overall expected rate of return on plan assets reflects market expectations at the valuation date of long-term asset returns and the mix of assets in the plans

The mortality assumptions used in the actuarial valuations of the defined benefit pension liabilities have been selected with regard to the characteristics and experience of the membership of the plan from 2004 to 2007

The base mortality assumptions have been derived by adjusting standard mortality tables (PA 92 tables) projected forward to 2007 with the medium cohort improvement factors for males and with the standard improvement factors for females. In addition, allowance has been made for future increases in life expectancy. For males, the allowance is in line with medium cohort improvements subject to a minimum rate of improvement of 1% pa, and for females, the allowance is in line with the standard improvements, subject to a minimum of 0.5% pa. These improvements have been set with regard to trends observed within the plan over the past decade. The corresponding assumptions for life expectancy of pension plan members is as follows

	2007/08	2006/07
Age to which current pensioners are expected to live (60 now)		
- Male	87.2	85.1
- Female	85.9	86.3
Age to which future pensioners are expected to live (60 in 15 years time)		
- Male	88.8	86.2
- Female	87.1	87.5

# Screwfix Direct Ltd

## Notes to the Financial Statements – Year ended 2<sup>nd</sup> February 2008

### Sensitivity analysis of key actuarial assumptions used

The following table analyses, for the UK Plan, the estimated impact on plan obligations resulting from changes to key actuarial assumptions, whilst holding all other assumptions constant

Assumption	Change in assumption	Impact on UK plan liabilities
Discount rate	Increase/decrease by 0.1%	Decrease/increase by £730,000
Salary escalation	Increase/decrease by 0.1%	Increase/decrease by £91,000
Rate of pension increases	Increase/decrease by 0.1%	Increase/decrease by £426,000
Price inflation	Increase/decrease by 0.1%	Increase/decrease by £730,000
Mortality	Increase in life expectancy by one year	Increase by £1,216,000

### Impact of defined benefit scheme on profit and loss account

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

£000	2008	2007
Amounts charged to operating profit		
Current service cost	(784)	(992)
Total operating charge	(784)	(992)
Amounts credited/(charged) to other finance costs		
Expected return on pension scheme assets	2,672	2,164
Interest on pension scheme liabilities	(2,240)	(1,942)
Net financing return	432	222
Total charged to the profit and loss account	(352)	(770)

### Defined benefit asset position on balance sheet

The amounts included in the balance sheet, within the net pension asset, 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	2008	2007
Present value of defined benefit obligations	(40,963)	(41,194)
Fair value of scheme assets	44,365	40,454
Net asset/ (liability)	3,402	(740)
Related deferred tax (liability)/ asset	(953)	222
	2,449	(518)

# Screwfix Direct Ltd

## Notes to the Financial Statements – Year ended 2<sup>nd</sup> February 2008

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

Obligations £000	2008	2007
Defined benefit obligation at beginning of year	(41,194)	(43,124)
Total service cost charged in the profit and loss account	(784)	(992)
Interest charge	(2,240)	(1,942)
Actuational gains / (losses)	2,065	3,739
Contributions paid by employees	(302)	(322)
Benefits paid	1,492	1,447
Defined benefit obligation at end of year	(40,963)	(41,194)

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

Assets £000	2008	2007
Fair value of plan assets at beginning of year	40,454	35,053
Expected return of pension scheme assets	2,672	2,164
Actuational (losses)/ gains	(620)	964
Contributions paid by employer	3,049	3,398
Contributions paid by employees	302	322
Benefits paid	(1,492)	(1,447)
Fair value of plan assets at end of year	44,365	40,454

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

£000	2008		2007	
Equities	22,572	51%	20,868	52%
Bonds	17,615	39%	15,164	37%
Property	3,373	8%	3,590	9%
Other	805	2%	832	2%
Total market value of assets	44,365	100%	40,454	100%

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

The actual return on pension scheme assets was as follows

£000	2008	2007
Actual return on pension scheme assets	2,052	3,128

# Screwfix Direct Ltd

## Notes to the Financial Statements – Year ended 2<sup>nd</sup> February 2008

The history of experience adjustments is as follows

£000	2008	2007	2006	2005
Present value of defined benefit obligations	(40,963)	(41,194)	(43,124)	(35,550)
Fair value of scheme assets	44,365	40,454	35,053	26,610
Net asset/(liability) in the scheme	3,402	(740)	(8,071)	(8,940)

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

£000	2008	2007	2006	2005
Actual return less expected return on pension scheme assets	(620)	964	3,676	1,290
Percentage of scheme assets	(1.4%)	2.4%	10.5%	4.8%
Experience gain/ (loss) arising on pension scheme liabilities	(177)	15	(9)	(420)
Percentage of scheme liabilities	0.4%	0.0%	0.0%	1.2%
Changes in assumptions underlying present value of scheme liabilities	2,242	3,724	(4,904)	(3,690)
Percentage of scheme liabilities	(5.5%)	(9.0%)	11.4%	10.4%
Total amount recognised in profit and loss reserve	1,445	4,703	(1,237)	(2,820)

The estimated amounts of contributions expected to be paid to the pension scheme during the next financial year is £1.3m

## 18 Share Based Payments

	2008		2007	
	Options	Weighted average exercise price	Options	Weighted average exercise price
	Number	£	Number	£
Outstanding at beginning of year	932,041	1.04	383,292	1.41
Granted during the year <sup>1, 2</sup>	759,398	0.93	607,416	0.90
Forfeited during the year	(227,396)	1.81	(58,240)	1.97
Exercised during the year	(219,254)	0.04	(427)	1.76
Expired during the year	-	-	-	-
Outstanding at end of year	1,244,789	1.01	932,041	1.04
Exercisable at end of year	27,473	0.98	12,000	1.46

<sup>1</sup> The charge to the income statement for the years ended 2 February 2008 and 3 February 2007 in respect of share-based payments includes the first year's charge of the 2008 and 2007 Kingfisher Incentive Scheme (KIS) share grants respectively, 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 and Performance Share Plan options and discounted ShareSave options (see below).

The Company participates in a number of share option schemes including the Kingfisher Incentive Scheme,



## **Screwfix Direct Ltd**

### **Notes to the Financial Statements – Year ended 2<sup>nd</sup> February 2008**

#### **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 42 to 52 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 2<sup>nd</sup> February 2008

Date of grant	Share price at grant £	Exercise price £	Expected volatility %	Expected life years	Dividend yield %	Risk free rate %	Fair value £
<b>Kingfisher Incentive Scheme</b>							
05/04/04	2 91	-	-	3 5	3 7%	-	2 58
05/04/04	2 91	-	35 0%	3 5	3 7%	-	1 61
28/04/04	2 86	-	-	3 5	3 7%	-	2 54
28/04/04	2 86	-	35 0%	3 5	3 7%	-	1 58
06/04/05	2 86	-	-	3 5	3 7%	-	2 55
06/04/05	2 86	-	35 0%	3 5	3 7%	-	1 62
10/04/06	2 31	-	-	3 5	4 6%	-	2 01
10/04/06	2 31	-	19 8%	3 5	4 6%	-	0 77
11/04/07	2 77	-	-	3 5	-	-	2 77
<b>Performance Share Plan</b>							
28/06/06	2 29	-	19 8%	3 5	-	4 9%	1 04
24/10/06	2 65	-	19 6%	3 5	-	5 0%	1 36
11/04/07	2 77	-	20 2%	3 5	-	-	1 68
01/10/07	1 83	-	22 4%	3 5	-	-	0 26
<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>UK 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
01/11/07	1 90	1 55	23 6%	3 5	5 6%	5 0%	0 42
01/11/07	1 90	1 55	25 5%	5 5	5 6%	5 0%	0 44

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 £2.11 (2007 £2.43). The options outstanding at the end of the year have a weighted average remaining contractual life of 2.2 years (2007 3.6 years). The options outstanding at the end of the year have exercise prices ranging from £nil to £2.45.

Expected volatility was determined for each individual award, by calculating the historical volatility of the Group's share price (plus reinvested dividends) 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 £30,000 in the year ended 2 February 2008 (2007 £639,000) 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 £964,000 (2007 £934,000).

# Screwfix Direct Ltd

## Notes to the Financial Statements – Year ended 2<sup>nd</sup> February 2008

### 19 Capital and other commitments

	2008	2007
	£000	£000
Contracts placed for future capital expenditure not provided in the financial statements	1,383	18,817

### 20 Financial Commitments

At 2<sup>nd</sup> February 2008 the company had annual commitments under non-cancellable operating leases expiring as follows

	Land and Buildings		Other	
	2008	2007	2008	2007
	£000	£000	£000	£000
Within 1 year	-	-	162	63
Between 1 and 2 years	-	-	377	222
Between 2 and 5 years	-	-	612	357
Between 5 and 10 years	8,108	5,211	345	-
Between 10 and 15 years	935	425	-	-
Between 15 and 20 years	135	135	-	-
Between 20 and 25 years	1,915	1,915	-	-
Annual commitments	11,093	7,686	1,496	642

### 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, Portwood 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.

## **Screwfix Direct Ltd**

### **Notes to the Financial Statements – Year ended 2<sup>nd</sup> February 2008**

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 £13,599,000 (2007 £29,127,000). 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 £788,000 (2007 £1,470,000).