



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

**Annual Report and Financial Statements**

**For the Year Ended 1 February 2014**

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# **Screwfix Direct Limited**

## **Annual Report and Financial Statements 2014**

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# **Screwfix Direct Limited**

## **Officers and Professional Advisers**

### **Directors**

S Willett  
G Bell  
J Mewett  
A Livingston  
R Bell  
J Maggs  
J Mackenzie  
L Haselhurst

### **Secretary**

M Smith

### **Registered Office**

Trade House  
Mead Avenue  
Houndstone Business Park  
Yeovil  
Somerset  
United Kingdom  
BA22 8RT

### **Bankers**

HSBC  
1 Middle Street  
Yeovil  
Somerset  
BA20 1LR

### **Auditor**

Deloitte LLP  
Bristol, United Kingdom

# **Screwfix Direct Limited**

## **Strategic Report for the Year Ended 1 February 2014**

The directors in preparing this report, have complied with s414C of the Companies Act 2006.

### **Principal activities**

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

### **Review of business**

The company continued to expand during the year, growing sales by 15% (+7% LFL) to £665m. This was as a result of a strong promotional programme, extended opening hours, the continued roll out of new outlets and the successful introduction of mobile 'Click, Pay & Collect'. 60 new trade counters were opened during the year taking the total to 335 across the UK.

Operating efficiencies and cost control measures combined to maintain the company's profitability. In addition to the cost improvement agenda, the above-mentioned new counters allowed the company to increase its economic returns from leveraging existing infrastructure.

Screwfix Direct Limited is part of the Kingfisher group (the "Group"). Further information on the Group's analysis using financial key performance indicators can be found in the following sections of the Kingfisher plc Annual report: 'Creating the Leader' on pages 8 to 17 and in the Financial review on pages 20 to 27.

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

The company's profit before taxation amounted to £45m (2013: £34m) and after taxation £34m (2013: £25m). No dividend was paid in the year (2013: £nil).

Operating profit of £45m (2013: £40m) grew 13% versus 2013, with a profit conversion of 7% (2013: 7%). The company is conducting a trial of the Screwfix multi-channel format stores in Germany in the summer of 2014. Initial costs incurred during 2013/14 and included in these financial statements amounted to £2.8m.

Both the level of business and year-end financial position were satisfactory and the directors remain confident about the future prospects for the business. The business will continue to expand to reach more customers through the Trade Counter opening programme, to further develop the trading potential of the electrician / plumber focused counters and review the potential of new channels to market. The business model continues to evolve, enhancing its multi-channel convenience credentials.

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

# **Screwfix Direct Limited**

## **Strategic Report for the Year Ended 1 February 2014 (continued)**

### **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 possible rises in interest rates, as well as the wider economic situation.

### **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. 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.

Interest rate risk arises from the foreign currency account balances that bear interest at 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.

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 counterparty 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.

**R Bell**  
**Director**

**Date 26 September 2014**

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

# **Screwfix Direct Limited**

## **Directors' Report for the Year Ended 1 February 2014**

### **Directors**

The directors, who held office during the year and subsequently, are given as follows:

S Willett  
E Eccles (resigned 11 October 2013)  
G Bell  
D Lowther (resigned 11 October 2013)  
J Mewett  
A Livingston  
R Bell  
J Maggs (appointed 11 October 2013)  
J Mackenzie (appointed 12 May 2014)  
L Haselhurst (appointed 9 June 2014)

### **Going concern**

The company's business activities and financial performance, together with the risks and uncertainties affecting it, are described in the Strategic Report above. The company is profitable and has considerable financial resources. As a consequence the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries and taking into consideration the profitability and financial position of the company, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

### **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 members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that 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 operates a policy of direct and systematic communication on all relevant matters, including the company's business performance and current market issues, with employees via several channels of communication, including engagement surveys, briefing groups, employee forums and internal newsletters.

All employees are entitled to participate in a savings-related share option scheme operated by Kingfisher plc, the ultimate parent undertaking, regardless of number of hours worked, provided they meet certain service conditions.

## **Screwfix Direct Limited**

### **Directors' Report for the Year Ended 1 February 2014** (continued)

#### **Auditor**

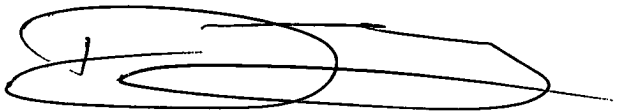
Each person who is a director at the date of approval of this report confirms that:

- (a) so far as he/she is aware, there is no relevant audit information of which the company's auditor is unaware; and
- (b) he/she 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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The auditor, Deloitte LLP, has indicated its willingness to continue in office and a resolution concerning its reappointment will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

A handwritten signature in black ink, consisting of a stylized 'J' followed by a series of loops and a long horizontal stroke.

**R Bell**  
**Director**  
**Date 26 September 2014**

## **Screwfix Direct Limited**

### **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). 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; 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 proper 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.

## **Independent auditor's report to the members of Screwfix Direct Limited**

We have audited the financial statements of Screwfix Direct Limited for the year ended 1 February 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

### **Respective responsibilities of directors and auditor**

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 1 February 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

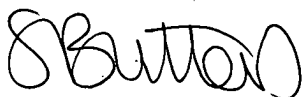
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditor's report to the members of Screwfix Direct Limited (continued)**

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.



**Sonya Butters ACA (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Bristol, United Kingdom**

**Date 30 September 2014**

# Screwfix Direct Limited

## Profit and Loss Account for the Year Ended 1 February 2014

		2014	2013
	Note	£000	£000
Turnover	2	665,263	577,247
Cost of sales		(357,661)	(304,702)
<b>Gross profit</b>		<b>307,602</b>	<b>272,545</b>
Selling, and administrative expenses		(250,761)	(220,851)
Distribution expenses		(11,870)	(11,881)
<b>Operating profit</b>	3	<b>44,971</b>	<b>39,813</b>
Interest receivable and similar income	4	312	296
Other finance income	16	45	265
Exceptional items	5	-	(6,151)
<b>Profit on ordinary activities before taxation</b>		<b>45,328</b>	<b>34,223</b>
Taxation on profit on ordinary activities	7	(11,661)	(8,927)
<b>Profit for the financial year</b>	14	<b>33,667</b>	<b>25,296</b>

All results are derived from continuing operations.

## Screwfix Direct Limited

### Statement of total recognised gains and losses for the year ended 1 February 2014

		2014	2013
	Note	£000	£000
<b>Profit for the financial year</b>		<b>33,667</b>	<b>25,296</b>
Actuarial loss on pension scheme	16	(978)	(1,079)
Movement on corporation tax relating to pension asset		351	393
Movement on deferred tax relating to pension asset		(124)	(35)
Equity settled share based compensation		-	3,085
<b>Total recognised gain for to the year</b>		<b>32,916</b>	<b>27,660</b>


# Screwfix Direct Limited

## Balance Sheet as at 1 February 2014

		2014	2013
	Note	£000	£000
<b>Fixed assets</b>			
Tangible assets	8	83,226	80,497
<b>Current assets</b>			
Stocks	9	153,503	132,002
Debtors	10	40,414	27,382
Cash at bank and in hand		75,646	57,715
		<b>269,563</b>	<b>217,099</b>
<b>Creditors – amounts falling due within one year</b>	11	<b>(129,164)</b>	<b>(106,392)</b>
<b>Net current assets</b>		<b>140,399</b>	<b>110,707</b>
<b>Total assets less current liabilities</b>		<b>223,625</b>	<b>191,204</b>
Pension asset	16	-	128
<b>Net assets</b>		<b>223,625</b>	<b>191,332</b>
<b>Capital and reserves</b>			
Called up share capital	13	50	50
Capital redemption reserve	14	144	144
Profit and loss account	14	223,431	191,138
<b>Equity shareholders' funds</b>	15	<b>223,625</b>	<b>191,332</b>

Approved and authorised for issue by the board of directors on 26 September 2014

Signed on behalf of the board of directors



**R Bell**  
**Director**  
**Company Number 03006378**

# **Screwfix Direct Limited**

## **Notes to the Financial Statements – for the year ended 1 February 2014**

### **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.

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

The financial statements are prepared in accordance with the Companies Act 2006.

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

The financial statements have been prepared on the going concern basis (as discussed further in the *Directors' report*), under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom.

#### **(b) Cash flow statement**

The company is exempt under FRS 1 (Revised) 'Cash Flow Statements' from the requirement to publish a cash flow 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 20 on page 29.

#### **(c) Turnover**

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

Revenue is recognised on customer collection or dispatch of goods to the customer.

#### **(d) Tangible fixed assets**

Tangible fixed assets are stated at original historical cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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 and equipment - Range of 10 - 50% straight-line

Assets in the course of construction are not depreciated.

#### **(e) Stocks**

Stocks are valued at the lower of cost and net realisable value. The value of stock is determined using a weighted average method and including an attributable proportion of overheads. Provisions are made, where necessary, for slow-moving, obsolete or defective stock.

# **Screwfix Direct Limited**

## **Notes to the Financial Statements – for the year ended 1 February 2014**

### **1 Accounting policies (continued)**

#### **(f) Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

#### **(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 separately 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 not yet recognised. 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.

A net pension asset is only recognised to the extent that it is recoverable either through reduced future contributions or through agreed refunds from the scheme.

# **Screwfix Direct Limited**

## **Notes to the Financial Statements – for the year ended 1 February 2014**

### **1 Accounting policies (continued)**

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

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 the statement of total recognised gains and losses.

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) 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.

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

The company participates in several equity-settled, share-based compensation plans. The rights for each of the instruments are 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 in the Kingfisher plc financial statements. As a result, an expense is charged to profit and loss with the corresponding entry to equity in the Screwfix Direct Limited financial statements. 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.

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 equity 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 in the year in which they arise.

# Screwfix Direct Limited

## Notes to the Financial Statements – for the year ended 1 February 2014

### 2 Segmental reporting

The company's operations during the year were based in the United Kingdom.

Turnover is attributable to one class of business.

### 3 Operating profit

Operating profit is stated after charging:

	2014 £000	2013 £000
Depreciation - owned assets	21,062	18,799
Operating lease payments		
- plant and machinery	1,628	1,290
- other	18,990	18,094
Loss on disposal of fixed assets	4	-
Fees payable to the company's auditor for the audit of the company's annual accounts	57	55

### 4 Interest receivable and similar income

	2014 £000	2013 £000
Interest received	312	296

### 5 Exceptional items

	2014 £000	2013 £000
Net pension gain	-	(288)
Asset restriction loss (note 16)	-	6,439
Exceptional charge on closure of UK final salary scheme	-	6,151

In 2013, the net pension gain of £288k includes a £726k curtailment gain arising on the closure of the UK final salary scheme to future benefit accrual. Offsetting the gain is a £438k charge for transitional payments to scheme members.

### 6 Staff costs and directors' remuneration

Particulars of employee costs are as shown below:

	2014 £000	2013 £000
Wages and salaries	80,693	71,894
Social security costs	5,259	4,883
Pension costs	1,905	1,208
	87,857	77,985

# Screwfix Direct Limited

## Notes to the Financial Statements – for the year ended 1 February 2014

### 6 Staff costs and directors' remuneration (continued)

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

	2014	2013
	Number	Number
Stores	4,634	3,955
Home fulfilment	369	352
Office and administration	439	420
	<b>5,442</b>	<b>4,727</b>

#### Directors' remuneration

Staff costs include the following remuneration of directors:

	2014	2013
	£000	£000
Directors' emoluments	2,133	2,265
Receivable (excluding shares) under long-term incentive schemes	223	363
Contributions to defined contribution scheme	169	166
	<b>2,525</b>	<b>2,794</b>

During the year, one being the highest paid director (2013: two directors), were entitled to receive shares under a long-term incentive scheme.

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

	2014	2013
	Number	Number
Defined contribution pension scheme	8	7
Defined benefit pension scheme	-	5

The UK final salary scheme was closed to future benefit accrual with effect from 30 June 2012. All directors opted into the contribution pension scheme.

The highest paid director received emoluments and benefits as follows:

	2014	2013
	£000	£000
Directors' emoluments	307	397
Receivable (excluding shares) under long-term incentive schemes	226	199

During the year, seven directors (2013: five directors) including the highest paid director exercised options over shares of Kingfisher plc.

# Screwfix Direct Limited

## Notes to the Financial Statements – for the year ended 1 February 2014

### 7 Tax on profit on ordinary activities

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

	2014 £000	2013 £000
<b>Current tax</b>		
Corporation tax at 23.17% (2013: 24.33%)	12,026	10,796
Adjustment in respect of previous years	(58)	(115)
<b>Total current tax</b>	<b>11,968</b>	<b>10,681</b>
<b>Deferred tax</b>		
Deferred tax credit	(598)	(1,853)
Adjustment in respect of previous years	291	99
<b>Total deferred tax credit</b>	<b>(307)</b>	<b>(1,754)</b>
<b>Tax on profit on ordinary activities</b>	<b>11,661</b>	<b>8,927</b>

#### Factors affecting the tax charge for the financial year

The tax charge for the financial year is higher than the effective standard rate of corporation tax in the UK of 23.17% (2013: 24.33%).

The differences are explained below:

	2014 £000	2013 £000
<b>Profit on ordinary activities before taxation</b>	<b>45,328</b>	<b>34,223</b>
Profit on ordinary activities multiplied by standard blended rate in the UK of (23.17%) (2013: 24.33%)	10,503	8,326
Effects of:		
Expenses not deductible for tax purposes	829	1,940
Timing differences provided for	694	530
Adjustments in respect of previous years	(58)	(115)
<b>Total current tax charge for the year</b>	<b>11,968</b>	<b>10,681</b>

The UK corporation tax rate fell from 24% to 23% from 1 April 2013 to 21% from 1 April 2014 and will fall to 20% from 1 April 2015. Accordingly, the company's profits for this accounting period are taxed at a blended rate of 23.17% and the deferred tax balances included in these financial statements reflect the enacted reduction to 20%.

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 Limited

## Notes to the Financial Statements – for the year ended 1 February 2014

### 8 Tangible fixed assets

	Fixtures, fittings and equipment £000	Assets in the course of construction £000	Total £000
<b>Cost</b>			
At 3 February 2013	199,394	9,756	209,150
Additions	-	23,795	23,795
Disposals	(6)	-	(6)
Transfers	26,334	(26,334)	-
At 1 February 2014	<b>225,722</b>	<b>7,217</b>	<b>232,939</b>
<b>Accumulated depreciation</b>			
At 3 February 2013	128,653	-	128,653
Charge for the year	21,062	-	21,062
Disposals	(2)	-	(2)
At 1 February 2014	<b>149,713</b>	<b>-</b>	<b>149,713</b>
<b>Net book value</b>			
At 1 February 2014	<b>76,009</b>	<b>7,217</b>	<b>83,226</b>
At 2 February 2013	70,741	9,756	80,497

### 9 Stocks

	2014 £000	2013 £000
Goods for resale	<b>153,503</b>	<b>132,002</b>

### 10 Debtors

	2014 £000	2013 £000
Trade debtors	<b>16,135</b>	11,962
Amounts owed from group undertakings	<b>12,622</b>	7,353
Other debtors	<b>4,858</b>	2,724
Deferred tax excluding that relating to pension asset (note 12)	<b>1,617</b>	1,306
Prepayments and accrued income	<b>5,182</b>	4,037
	<b>40,414</b>	<b>27,382</b>

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

# Screwfix Direct Limited

## Notes to the Financial Statements – for the year ended 1 February 2014

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

	2014 £000	2013 £000
Trade creditors	33,361	30,401
Amounts owed to group undertakings	3,624	4,272
Corporation tax	5,740	4,990
Other tax and social security	9,843	8,711
Other creditors	334	1,093
Accruals and deferred income	76,262	56,925
	<b>129,164</b>	<b>106,392</b>

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

### 12 Deferred tax

	2014 £000	2013 £000
<b>Deferred tax asset excluding deferred tax on pension asset</b>		
As at beginning of financial year	1,306	872
Movement during the year	311	434
As at end of financial year	<b>1,617</b>	<b>1,306</b>

Deferred taxation provided in the financial statements is as follows:

	2014 £000	2013 £000
Accelerated capital allowances	(717)	(136)
Other timing differences	(405)	(460)
Deferred tax relating to share-based payments	(495)	(710)
Deferred tax excluding that relating to pension I	(1,617)	(1,306)
Deferred tax relating to pension (note 16)	-	(128)
<b>Total deferred tax asset</b>	<b>(1,617)</b>	<b>(1,434)</b>
As at beginning of financial year	(1,434)	285
Deferred tax credit in profit and loss account (note 7)	(307)	(1,754)
Deferred tax charge to the statement of total recognised gains and losses	124	35
As at end of financial year	<b>(1,617)</b>	<b>(1,434)</b>

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future to realise the deferred tax asset, and therefore the asset is recognised in these financial statements.

# Screwfix Direct Limited

## Notes to the Financial Statements – for the year ended 1 February 2014

### 13 Called up share capital

	2014 £000	2013 £000
<b>Allotted, issued and fully paid</b>		
4,083 Ordinary 'A' shares of £1 each	4	4
45,917 Ordinary 'C' shares of £1 each	46	46
4,591,700 Ordinary 'D' shares of £0.0001 each	-	-
	<b>50</b>	<b>50</b>

### 14 Reserves

	Capital redemption reserve £000	Profit and loss account £000
At 3 February 2013	144	191,138
Profit for the financial year	-	33,667
Actuarial loss on pension scheme	-	(978)
Movement on corporation tax relating to the pension asset	-	351
Movement on deferred tax relating to the pension asset	-	(124)
Share based compensation	-	(623)
At 1 February 2014	<b>144</b>	<b>223,431</b>

### 15 Reconciliation of movement in shareholders' funds

	2014 £000	2013 £000
Opening equity shareholders' funds	191,332	163,672
Profit for the financial year	33,667	25,296
Actuarial loss on pension scheme	(978)	(1,079)
Movement on corporation tax relating to the pension asset	351	393
Movement on deferred tax relating to the pension asset	(124)	(35)
Share based compensation	(623)	3,085
Closing equity shareholders' funds	<b>223,625</b>	<b>191,332</b>

# **Screwfix Direct Limited**

## **Notes to the Financial Statements – for the year ended 1 February 2014**

### **16 Pension arrangements**

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

#### **Defined contribution scheme**

The total pension charge in the profit and loss account for the defined contribution scheme was £1.9m (2013: £0.8m).

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 from 31 March 2013.

#### **Defined benefit scheme**

Screwfix Direct Limited is one of a number of Group companies that participate in the Kingfisher Pension Scheme which is defined benefit in nature. 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 of the Group's UK scheme as at 31 March 2013 and has been updated to 1 February 2014.

In the prior year, the UK final salary scheme was closed to future benefit accrual with effect from 30 June 2012. The scheme had been closed to new entrants in 2004. The closure to future accrual resulted in an exceptional non-cash curtailment gain, representing the one-off reduction in accounting liabilities as benefits are no longer linked to future salary increases other than in line with inflation. Furthermore, it resulted in a full provision against the net surplus being recognised at the curtailment date. This exceptional non-cash asset restriction loss reflected the requirements under UK accounting standards, which restrict the amount of surplus that can be recognised following the closure to future accrual of benefits.

In the prior years the company's ultimate parent entered into two phases of a property partnership arrangement with the scheme Trustee's to address an element of the Group scheme deficit. Further details on this arrangement are given in note 27 of the consolidated financial statements of Kingfisher plc. The reported pension position, before provision for asset restriction, reflects the company's share of the resulting scheme asset.

# Screwfix Direct Limited

## Notes to the Financial Statements – for the year ended 1 February 2014

### 16. Pension arrangements (continued)

#### Principal actuarial valuation assumptions

The assumptions used in calculating the costs and obligations of the defined benefit pension schemes are set by the directors after consultation with independent professionally qualified actuaries. The assumptions are based on the conditions at the time and changes in these assumptions can lead to significant movements in the estimated obligation.

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

Annual % rate	2014	2013
Discount rate	4.4	4.6
Rate of pension increases	3.3	3.3
Price inflation	3.1	3.3

% rate of return	2014	2013
Equities	7.2	7.6
Bonds	3.7	3.5
Property	6.5	5.9
Other	4.5	4.7
Overall expected rate of return	4.7	4.7

The mortality assumptions used in the actuarial valuations have been selected with regard to the characteristics and experience of the membership of the scheme from 2010 to 2013. The base mortality assumptions have been derived by adjusting standard mortality tables (SAPS tables) projected forward to 2013 using the 'CMI 2013' core projection improvement factors, as published by the UK actuarial profession. In addition, allowance has been made for future increases in life expectancy. The allowance is in line with CMI 2013 improvements subject to a long-term rate of 1.25% pa for males and 1% pa for females. These improvements take into account trends observed within the scheme over the past decade and general population trends.

The assumptions for life expectancy of the scheme members are as follows:

Years	2014	2013	2010 funding valuation
Age to which current pensioners are expected to live (60 now):			
- Male	86.7	86.7	86.4
- Female	87.3	87.4	87.1
Age to which future pensioners are expected to live (60 in 15 years time)			
- Male	87.4	87.4	87.1
- Female	88.6	89.0	88.7

# Screwfix Direct Limited

## Notes to the Financial Statements – for the year ended 1 February 2014

### 16. Pension arrangements (continued)

#### Sensitivity analysis of key actuarial assumptions used

The estimated impact on obligations resulting from changes to key actuarial assumptions, whilst holding all other assumptions constant.

Assumption	Change in assumption	Impact on defined benefit obligation £000
Discount rate	Increase/decrease by 0.1%	1,300
Rate of pension increases	Increase/decrease by 0.1%	1,100
Price inflation	Increase/decrease by 0.1%	1,100
Mortality	Increase in life expectancy by one year	2,100

#### Profit and loss account

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

	2014 £000	2013 £000
<b>Amounts charged to profit:</b>		
Current service cost	45	381
Curtailment gain	-	(726)
Asset restriction loss	-	6,439
	<b>45</b>	<b>6,094</b>
<b>Amounts (credited)/charged to other finance costs:</b>		
Expected return on pension scheme assets	(2,769)	(2,814)
Interest on pension scheme liabilities	2,724	2,549
Net financing return	(45)	(265)
<b>Total charged to the profit and loss account</b>	<b>-</b>	<b>5,829</b>

#### Balance sheet

The amounts recognised on the balance sheet are as follows:

	2014 £000	2013 £000
Present value of defined benefit obligations	(64,480)	(60,219)
Fair value of scheme assets	69,682	68,617
Net pension asset before provision for asset restriction and deferred tax	5,202	8,398
Provision for asset restriction	(5,202)	(8,398)
Net pension asset before deferred tax	-	-
Related deferred tax asset	-	128
<b>Net pension asset</b>	<b>-</b>	<b>128</b>

# Screwfix Direct Limited

## Notes to the Financial Statements – for the year ended 1 February 2014

### 16. Pension arrangements (continued)

Movements in the net pension asset before deferred tax are as follows:

	Defined benefit obligation	Scheme assets	Total	Provision for asset restriction	Net
	£000	£000	£000	£000	£000
At 3 February 2013	(60,219)	68,617	8,398	(8,398)	-
Current service cost	(45)	-	(45)	-	(45)
Interest on defined benefit obligation	(2,724)	-	(2,724)	-	(2,724)
Expected return on pension scheme assets	-	3,041	3,041	(272)	2,769
Actuarial (losses)/gains	(3,398)	(1,048)	(4,446)	3,468	(978)
Contributions paid by employer	-	978	978	-	978
Benefits paid	1,906	(1,906)	-	-	-
<b>At 1 February 2014</b>	<b>(64,480)</b>	<b>69,682</b>	<b>5,202</b>	<b>(5,202)</b>	<b>-</b>
	£000	£000	£000	£000	£000
At 29 January 2012	(47,555)	53,289	5,734	-	5,734
Current service cost	(381)	-	(381)	-	(381)
Curtailment gain	726	-	726	-	726
Asset restriction loss	-	-	-	(6,439)	(6,439)
Interest on defined benefit obligation	(2,549)	-	(2,549)	-	(2,549)
Expected return on pension scheme assets	-	2,814	2,814	-	2,814
Actuarial (losses)/gains	(12,229)	13,109	880	(1,959)	(1,079)
Contributions paid by employer	-	1,174	1,174	-	1,174
Contributions paid by employees	(125)	125	-	-	-
Benefits paid	1,894	(1,894)	-	-	-
<b>At 2 February 2013</b>	<b>(60,219)</b>	<b>68,617</b>	<b>8,398</b>	<b>(8,398)</b>	<b>-</b>

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

	2014		2013	
	Total	£000	Total	£000
Equities	15,593	22%	16,673	24%
Bonds	42,006	61%	41,298	60%
Property	964	1%	2,100	3%
Other	11,119	16%	8,546	13%
<b>Total market value of assets</b>	<b>69,682</b>	<b>100%</b>	<b>68,617</b>	<b>100%</b>

The pension scheme does not hold any assets other than those disclosed above.

# Screwfix Direct Limited

## Notes to the Financial Statements – for the year ended 1 February 2014

### 16. Pension arrangements (continued)

The actual return on pension scheme assets was as follows:

	2014	2013
	£000	£000
Actual return on pension scheme assets	1,993	15,923

Amounts for the current and previous four years are as follows:

	2014	2013	2012	2011	2010
	£000	£000	£000	£000	£000
Present value of defined benefit obligations	(64,480)	(60,219)	(47,555)	(44,768)	(50,465)
Fair value of scheme assets	69,682	68,617	53,289	46,308	45,292
Net asset/(liability) in the scheme	5,202	8,398	5,734	1,540	(5,173)
Provision for asset restriction	(5,202)	(8,398)	-	-	-
Net pension asset/(liability) before deferred tax	-	-	5,734	1,540	(5,173)

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

	2014	2013	2012	2011	2010
	£000	£000	£000	£000	£000
Actual return less expected return on pension scheme assets	(1,048)	13,109	1,128	(3,560)	2,176
Percentage of scheme assets	(2%)	19%	2.1%	(7.7%)	4.8%
Experience (loss)/gain arising on pension scheme liabilities	(3,624)	-	(5)	1,044	-
Percentage of scheme liabilities	6.0%	0.0%	0.0%	(2.3%)	0.0%
Changes in assumptions underlying present value of scheme liabilities	226	(12,229)	(1,286)	6,303	(7,001)
Percentage of scheme liabilities	-	20%	2.7%	(14.1%)	(2.1%)
Provision for asset restriction	3,468	(1,959)	-	-	-
Total amount recognised in profit and loss reserve	(978)	(1,079)	(163)	3,787	(4,825)

The estimated amounts of contributions expected to be paid to the pension scheme by the company during the next financial year, before any impact of the proposed closure to future benefit accrual of the UK final salary scheme, is £1.1m.

# **Screwfix Direct Limited**

## **Notes to the Financial Statements – for the year ended 1 February 2014**

### **17 Share-based payments**

The company participates in a number of share option schemes including the Kingfisher Incentive Share Scheme ('KISS'), , Kingfisher Retention Share Plan, Performance Share Plan and UK ShareSave scheme.

The KISS and Performance Share Plan are described as part of the Directors' remuneration report on pages 47 to 68 of the Kingfisher plc annual report and accounts. Restricted Awards are granted as one-off compensatory awards granted under the rules of the KISS. They are granted as nil cost options, as with the KISS, but do not accrue dividends until after they are exercised. Vesting dates may vary according to individual grants.

Certain employees, excluding directors, have been granted contingent share awards under the Kingfisher Retention Share Plan.

Under the UK ShareSave scheme, eligible UK employees have been invited to enter into 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 an offer 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 are 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.

# Screwfix Direct Limited

## Notes to the Financial Statements – for the year ended 1 February 2014

### 17. Share-based payments (continued)

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

	Date of grant	Share price at grant £	Exercise price £	Expected life years	Expected volatility (2) %	Dividend yield %	Risk-free rate %	Fair value (3) £
Kingfisher Incentive Share Scheme (1)	12/04/11	2.60	-	7.0	-	-	-	2.60
	06/05/11	2.80	-	7.0	-	-	-	2.80
	25/04/12	2.96	-	7.0	-	-	-	2.96
	11/04/13	2.97	-	7.0	-	-	-	2.97
Performance Share Plan	05/05/10	2.33	-	7.0	-	-	-	2.33
	05/05/10	2.33	-	7.0	46.7%	-	1.5%	1.30
	21/10/10	2.47	-	7.0	-	-	-	2.47
	12/04/11	2.60	-	7.0	-	-	-	2.60
	17/06/11	2.65	-	7.0	-	-	-	2.65
	21/10/11	2.63	-	7.0	-	-	-	2.63
	03/05/12	2.91	-	7.0	-	-	-	2.91
	16/10/12	2.81	-	7.0	-	-	-	2.81
	25/04/13	3.10	-	7.0	-	-	-	3.10
	22/10/13	3.74	-	7.0	-	-	-	3.74
UK and International ShareSave	29/10/08	1.09	1.09	5.5	30.8%	4.9%	3.8%	0.10
	03/11/09	2.24	1.72	5.5	36.4%	2.4%	2.9%	0.38
	28/10/10	2.39	1.87	3.5	44.3%	2.3%	1.1%	0.53
	28/10/10	2.39	1.87	5.5	37.3%	2.3%	1.9%	0.39
	26/10/11	2.64	1.99	3.5	39.1%	2.9%	0.9%	0.54
	26/10/11	2.64	1.99	5.5	37.6%	2.9%	1.4%	0.42
	19/10/12	2.85	2.17	3.5	25.9%	3.3%	0.4%	0.45
	19/10/12	2.85	2.17	5.5	37.6%	3.3%	0.9%	0.49
	22/10/13	3.74	3.15	3.5	23.3%	2.5%	0.9%	0.49
	22/10/13	3.74	3.15	5.5	33.6%	2.5%	1.6%	0.59

<sup>1</sup> The Kingfisher Incentive Share Scheme includes the Company Share Option Plan ('CSOP') element of the KISS awards. Details of the CSOP element of the award are set out in the Director's Remuneration Report of the Kingfisher plc annual report and accounts.

<sup>2</sup> 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 expectations of future volatility.

<sup>3</sup> The fair values of UK and International Sharesave awards granted on or before 1 January 2009 have been restated to reflect the March 2008 amendment to FRS 20 on vesting conditions and cancellations.

# Screwfix Direct Limited

## Notes to the Financial Statements – for the year ended 1 February 2014

### 17. Share-based payments (continued)

The company recognised a total expense of £950,000 in the year ended 1 February 2014 (2013: £1,276,000) relating to equity-settled share-based payment transactions.

A summary of options is detailed below

	2014		2013	
	Options	Weighted average exercise price	Options	Weighted average exercise price
	Number	£	Number	£
Outstanding at beginning of year	2,708,530	0.47	3,040,856	0.39
Granted during the year <sup>1, 2</sup>	587,151	1.53	530,317	0.95
Transferred to other group company	-	-	-	-
Forfeited during the year	(74,921)	1.45	(88,082)	1.94
Exercised during the year	(808,646)	0.28	(774,561)	0.31
Outstanding at end of year	2,412,114	0.76	2,708,530	0.47
Exercisable at end of year	37,229	1.49	15,294	1.59

<sup>1</sup> The charge to the profit and loss account for the years ended 1 February 2014 and 2 February 2013 in respect of share-based payments includes the first year's charge of the 2014 and 2013 Kingfisher Incentive Share Scheme ('KISS') grants respectively, based on the bonus for the year. Since grants under the KISS 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 year represents a blend of nil price KISS, Performance Share Plan and discounted ShareSave options.

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 £3.53 (2013: £2.81). The options outstanding at the end of the year have exercise prices ranging from nil to £3.15 and a weighted average remaining contractual life of 5.1 years (2013: 4.4 years).

### 18 Capital and other commitments

	2014	2013
	£000	£000
Contracts placed for future capital expenditure not provided in the financial statements	311	615

## Screwfix Direct Limited

### Notes to the Financial Statements – for the year ended 1 February 2014

#### 19 Financial commitments

At 1 February 2014 and 2 February 2013 the company had annual commitments under non-cancellable operating leases expiring as follows:

	Land and Buildings		Other	
	2014	2013	2014	2013
	£000	£000	£000	£000
Within 1 year	-	-	316	395
Between 1 and 2 years	352	142	652	659
Between 2 and 5 years	8,878	8,237	1,453	671
Between 5 and 10 years	7,717	7,826	176	219
Between 10 and 15 years	1,560	396	-	-
Between 15 and 20 years	650	2,050	-	-
Annual commitments	19,157	18,651	2,597	1,944

#### 20 Ultimate parent undertaking

The immediate parent company is Screwfix Investments Limited, a company registered in England and Wales.

The ultimate parent company and controlling party is Kingfisher plc, a company registered in England and Wales. Kingfisher plc is the parent of the largest and smallest group containing this company for which consolidated financial statements are prepared. The Annual report and Accounts of Kingfisher plc may be obtained from The Company Secretary, Kingfisher plc, 3 Sheldon Square, Paddington, London, W2 6PX.

#### 21 Related parties

In accordance with FRS 8: "Related Party Disclosures", the company is exempt from disclosing transactions with entities that are part of the group, provided all subsidiaries party to the arrangement are wholly-owned by the group.