

# **Screwfix Direct Limited**

**Annual report and financial statements**

**for the year ended 31 January 2019**

**Registered number: 03006378**



# **Screwfix Direct Limited**

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# **Screwfix Direct Limited**

## **Officers and Professional Advisors**

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### **Directors**

J Mewett  
R Bartlett  
E Bell  
M Britten  
M Compton  
M Lemming  
S Parsons

### **Company Secretary**

N Boyd

### **Registered Office**

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

### **Bankers**

HSBC  
8 Canada Square  
London  
E14 5HQ

### **Auditor**

Deloitte LLP  
Statutory Auditor  
Bristol  
United Kingdom

# Screwfix Direct Limited

## Strategic Report

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

### Review of the business

The principal activity of the Company continued to be that of the retail of trade and DIY products to both tradesmen and the general public, primarily through the Company's trade counter (outlets) network and website.

Screwfix Direct Limited grew total sales by 10.3%, compared to 2017/18, to £1,684m, driven by strong growth from the specialist trade desks exclusive to plumbers and electricians, strong digital and mobile growth and the continued roll-out of new outlets. 50 new outlets were opened during the year, taking the total number of UK outlets to 627.

Like-for-like sales increased by 4.1%, as compared to 2017/18.

In Germany, the retail loss decreased from £18m to £16.5m. The financial statements also recognise an exceptional loss of £10.6 million, impairing assets utilised solely within German operations. After the year-end, the decision was made that German operations would be wound up throughout the year ending 31 January 2020. All of the 19 outlets open at the balance sheet date were closed prior to the financial statements being finalised.

Overall net assets have increased 26.2% to £723m (2017/18: £573m).

Competitive pricing, operating efficiencies and cost control measures are combined to maintain the Company's profitability. In addition to the cost improvement agenda, the above-mentioned new outlets allowed the Company to increase its economic returns from leveraging existing infrastructure.

### Key performance indicators

The Company's profit before taxation amounted to £170.1m (2017/18: £171.5m) and after taxation £137.2m (2017/18: £142.1m).

Operating profit increased by 4.6% from £170.2m in 2017/18 to £178.1m this year.

Screwfix is a subsidiary of Kingfisher plc (the "Group"). Further information on the Group's analysis using financial key performance indicators can be found in the Kingfisher plc Annual Report: 'Financial Review' on pages 36 to 43.

### Existence of branches outside the UK

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The Company has a branch in Germany. This branch closed during the year ending 31 January 2020.

### 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 macro economic conditions, competitive intensity and Brexit uncertainty as discussed below.

# Screwfix Direct Limited

## Strategic Report (continued)

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### Financial risk management objectives and policies

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

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

### Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Company uses foreign exchange forward contracts to hedge these exposures.

### Credit risk

The Company's principal financial assets are bank balances and cash and trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Company has no significant concentration of credit risk, with exposure spread over a large number of customers.

### Liquidity risk

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 sufficient liquidity risk.

### Future developments

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. The business model continues to evolve, enhancing its multi-channel convenience credentials.

Brexit has caused some uncertainty in the UK market, together with an impact on exchange rates; until the terms of Brexit are defined we will continue to monitor the situation for ongoing future developments and contingency plans, primarily over the movement of stock overseas.

Investment in new country development is expected to continue in the year ending 31 January 2020, primarily into a Republic of Ireland (ROI) outlet network and increased investment into the existing ROI website.

### Approval

Approved by the Board and signed on its behalf by:

M Britten  
Director

15 October 2019



# Screwfix Direct Limited

## Directors' Report

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The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 January 2019. The following disclosures are a requirement of the directors' report but have been elevated to the strategic report:

- Existence of branches outside the UK
- Indication of future developments
- Financial risk management
- Use of financial instruments

### Directors

The directors, who served throughout the year and subsequently, except as noted, were as follows:

R Bartlett  
E Bell  
G Bell (resigned 1 October 2018)  
M Britten (appointed 16 April 2018)  
M Compton  
M Lemming (appointed 5 March 2018)  
J Mewett  
S Parsons  
S Willett (resigned 31 March 2019)

### 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. On this basis, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

### Events after the balance sheet date

After the balance sheet date, the decision was made to wind down operations in Germany within the year to 31 January 2020. There are no other events after the balance sheet date that require disclosure.

### Dividends

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The directors recommend no final dividend to be paid and no dividend is proposed for the current year. No dividend was paid during the year (2017/18: £nil).

### Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

# Screwfix Direct Limited

## Directors' Report (continued)

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### Disabled employees

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

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through engagement surveys, briefing groups, employee forums and internal newsletters. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. 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.

### Auditor

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

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

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

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

### Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board and signed on its behalf by:

M Britten  
Director  
15 October 2019



# Screwfix Direct Limited

## Independent Auditor's Report to the Members of Screwfix Direct Limited

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### Report on the audit of the financial statements

#### Opinion

In our opinion the financial statements of Screwfix Direct Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 January 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of other comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### Basis for opinion

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

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

#### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate;
- or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

#### Other information

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



# **Screwfix Direct Limited**

## **Independent Auditor's Report to the Members of Screwfix Direct Limited (continued)**

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

We have nothing to report in respect of these matters.

### **Responsibilities of directors**

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

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

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

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

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

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

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

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

# Screwfix Direct Limited

## Independent Auditor's Report to the Members of Screwfix Direct Limited (continued)

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### Use of our report

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

*Andrew Wright*

Andrew Wright (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Bristol, United Kingdom

*15 October 2019*

# Screwfix Direct Limited

## Profit and Loss Account

for the year ended 31 January 2019

|                                      |       | 2018/19          | 2017/18   |
|--------------------------------------|-------|------------------|-----------|
|                                      | Notes | £'000            | £'000     |
| <b>Revenue</b>                       | 3     | <b>1,683,798</b> | 1,527,092 |
| Cost of sales                        |       | (946,119)        | (859,400) |
| <b>Gross profit</b>                  |       | <b>737,679</b>   | 667,692   |
| Other income                         |       | 1,540            | -         |
| Selling and administration expenses  |       | (538,228)        | (492,713) |
| Distribution expenses                |       | (22,930)         | (21,232)  |
| Other exceptional income             | 5     | -                | 16,471    |
| <b>Operating profit</b>              |       | <b>178,061</b>   | 170,218   |
| Other exceptional expenses           | 5     | (10,607)         | -         |
| Finance income                       | 4     | 2,674            | 1,305     |
| <b>Profit before taxation</b>        | 6     | <b>170,128</b>   | 171,523   |
| Tax                                  | 8     | (32,853)         | (29,446)  |
| <b>Profit for the financial year</b> |       | <b>137,275</b>   | 142,077   |

Revenue and operating profit are all derived from continuing operations.

# Screwfix Direct Limited

## Statement of Other Comprehensive Income

for the year ended 31 January 2019

|   | Notes | 2018/19<br>£'000 | 2017/18<br>£'000 |
|---|-------|------------------|------------------|
| <b>Profit for the year</b>  |       | <b>137,275</b>   | <b>142,077</b>   |
| Actuarial gain/(loss) on post-employment benefits   | 19    | 2,115            | (2,198)          |
| Tax on items that will not be reclassified  |       | (918)            | 556              |
| <b>Total items that will not be reclassified subsequently to profit or (loss)</b>                             |       | <b>1,197</b>     | <b>(1,642)</b>   |
| Currency translation differences  |       | 614              | (521)            |
| Cash flow hedges  |       |                  |                  |
| Fair value gains/(losses)   |       | 15,164           | (18,109)         |
| Gains transferred to inventories  | 17    | (2,513)          | (2,389)          |
| Tax on items that may be reclassified   |       | (2,404)          | 4,000            |
| <b>Total other comprehensive items for the year that may be reclassified subsequently to profit or (loss)</b> |       | <b>10,861</b>    | <b>(17,019)</b>  |
| <b>Other comprehensive income/(expense) for the year</b>  |       | <b>12,058</b>    | <b>(18,661)</b>  |
| <b>Total comprehensive income for the year attributable to the owners of the Company</b>                      |       | <b>149,333</b>   | <b>123,416</b>   |

# Screwfix Direct Limited

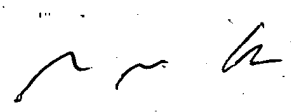
## Balance Sheet

as at 31 January 2019

|   | Notes | 2018/19<br>£'000 | 2017/18<br>(restated<br>see note 15)<br>£'000 |
|---|-------|------------------|---|
| <b>Non-current assets</b>                           |       |                  |   |
| Intangible assets                                   | 10    | 524              | 3,019   |
| Property, plant and equipment                       | 11    | 126,193          | 129,990                                       |
| Investments in subsidiaries                         | 12    | -                | -   |
| Post-employment benefits                            | 19    | 15,112           | 12,126  |
|   |       | 141,829          | 145,135                                       |
| <b>Current assets</b>                               |       |                  |   |
| Inventories   | 13    | 346,129          | 309,534                                       |
| Trade and other receivables                         | 14    | 684,096          | 489,423                                       |
| Derivative financial instruments                    | 17    | 2,975            | 59  |
| Cash and bank balances                              |       | 8,169            | 9,525   |
|   |       | 1,041,369        | 808,541                                       |
| <b>Total assets</b>                                 |       | <b>1,183,198</b> | <b>953,676</b>                                |
| <b>Current liabilities</b>                          |       |                  |   |
| Trade and other payables                            | 15    | (430,415)        | (350,728)                                     |
| Short-term provisions                               | 16    | (5,764)          | -   |
| Derivative financial instruments                    | 17    | (1,818)          | (11,553)                                      |
| Current tax liabilities                             |       | (14,289)         | (14,455)                                      |
|   |       | (452,286)        | (376,736)                                     |
| <b>Net current assets</b>                           |       | <b>589,083</b>   | <b>431,805</b>                                |
| <b>Total assets less current liabilities</b>        |       | <b>730,912</b>   | <b>576,940</b>                                |
| <b>Non-current liabilities</b>                      |       |                  |   |
| Long-term provisions                                | 16    | (4,012)          | (3,601)                                       |
| Deferred tax liabilities                            | 18    | (4,259)          | (733)   |
| <b>Total liabilities</b>                            |       | <b>(460,557)</b> | <b>(381,070)</b>                              |
| <b>Net assets</b>                                   |       | <b>722,641</b>   | <b>572,606</b>                                |
| <b>Equity</b>                                       |       |                  |   |
| Share capital                                       | 20    | 50               | 50  |
| Capital redemption reserve                          | 20    | 144              | 144   |
| Retained earnings                                   | 20    | 723,926          | 584,752                                       |
| Translation reserve                                 | 20    | (2,416)          | (3,030)                                       |
| Cash flow hedge reserve                             | 20    | 937              | (9,310)                                       |
| <b>Equity attributable to owners of the Company</b> |       | <b>722,641</b>   | <b>572,606</b>                                |

The financial statements were approved by the Board of Directors and authorised for issue on 15 October 2019 and signed on its behalf by:

M Britten  
Director  
Company number 03006378



# Screwfix Direct Limited

## Statement of Changes in Equity

for the year ended 31 January 2019

| £'000  | Notes | Attributable to equity shareholders of the Company |                            |                   |                     |                         | Total    |
|--|-------|--|----------------------------|-------------------|---------------------|-------------------------|----------|
|  |       | Share capital                                      | Capital redemption reserve | Retained earnings | Translation reserve | Cash flow hedge reserve |          |
| <b>Balance at 1 February 2017</b>                        |       | 50   | 144                        | 444,288           | (2,509)             | 7,188                   | 449,161  |
| Profit for the year                                      |       | -  | -                          | 142,077           | -                   | -                       | 142,077  |
| Other comprehensive expense for the year                 |       | -  | -                          | (1,642)           | (521)               | (16,498)                | (18,661) |
| <b>Total comprehensive income/(expense) for the year</b> |       | -  | -                          | 140,435           | (521)               | (16,498)                | 123,416  |
| Share-based compensation                                 |       | -  | -                          | 580               | -                   | -                       | 580      |
| Deferred tax on share-based payment transaction          |       | -  | -                          | (551)             | -                   | -                       | (551)    |
| <b>Balance at 31 January 2018</b>                        |       | 50   | 144                        | 584,752           | (3,030)             | (9,310)                 | 572,606  |
| Profit for the year                                      |       | -  | -                          | 137,275           | -                   | -                       | 137,275  |
| Other comprehensive income for the year                  |       | -  | -                          | 1,197             | 614                 | 10,247                  | 12,058   |
| <b>Total comprehensive income for the year</b>           |       | -  | -                          | 138,472           | 614                 | 10,247                  | 149,333  |
| Share-based compensation                                 | 21    | -  | -                          | 735               | -                   | -                       | 735      |
| Deferred tax on share-based payment transactions         |       | -  | -                          | (33)              | -                   | -                       | (33)     |
| <b>Balance at 31 January 2019</b>                        |       | 50   | 144                        | 723,926           | (2,416)             | 937                     | 722,641  |

# Screwfix Direct Limited

## Notes to the financial statements

for the year ended 31 January 2019

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### 1 Principal accounting policies

#### Basis of preparation

Screwfix Direct Limited (the Company) is a Company incorporated in the United Kingdom under the Companies Act. The Company is a private company limited by shares and is registered in England and Wales. The address of the company's registered office is shown on page 1.

The financial statements of Screwfix Direct Limited ('the Company') are for the calendar year ended 31 January 2019 ('the year' or '2018/19') and were authorised for issue by the board of directors on 15 October 2019. The comparative financial year is the calendar year ended 31 January 2018 ('the prior year' or '2017/18').

The directors of Screwfix Direct Limited, having made appropriate enquiries, consider that adequate resources exist for the Company to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis of accounting in preparing the financial statements for the year ended 31 January 2019.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 and as such these financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') and the provisions of the Companies Act 2006. The financial statements have been prepared under the historical cost convention, as modified by the use of valuations for certain financial instruments, share-based payments and post-employment benefits.

The Company has taken advantage of disclosure exemptions under FRS 101 relating to Share-Based Payments, Financial Instruments: Disclosure, Fair Value Measurement, Presentation of Financial Statements, Statement of Cash Flows and Accounting Policies, Changes in Accounting Estimates and Errors, Related Party Disclosures, Impairment of Assets, Presentation of comparatives and IFRS's issued but not effective.

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

Where required, equivalent disclosures are given in the consolidated financial statements of Kingfisher plc.

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

#### Changes to accounting policies as a result of new standards issued and effective

The following new standards, which are mandatory for the first time for the financial year ended 31 January 2019, are relevant for the Company:

- IFRS 9: Financial Instruments; and
- IFRS 15: Revenue from contracts with customers.

The Company has adopted IFRS 9 and IFRS 15 from 1 February 2018. The new standards have been adopted prospectively with no retrospective adjustments required. The effect of adopting these standards is outlined below.

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement' and addresses the classification, measurement and recognition of financial assets and liabilities, and introduces a new impairment model for financial assets as well as new hedge accounting rules. A detailed assessment of the new standard was undertaken and concluded that there are no material impacts on the financial statements, except for additional disclosure requirements relating to hedge accounting. The standard has also resulted in changes to the presentation of inventory cash flow hedge gains and losses within the statements of other comprehensive income and changes in equity.

# Screwfix Direct Limited

## Notes to the financial statements (continued) for the year ended 31 January 2019

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### 1 Principal accounting policies (continued)

#### Changes to accounting policies as a result of new standards issued and effective (continued)

IFRS 9 introduces the following new requirements:

– The classification and measurement of financial assets is now based on the entity's business model for managing the financial asset and its contractual cash flow characteristics. Given the nature of the Company's financial assets, comprising principally derivatives, trade and other receivables and cash, this has had no material impact.

– The new impairment model requires the recognition of expected credit losses, in contrast to the requirement to recognise incurred credit losses under IAS 39. The Company does not hold financial assets for which application of the new impairment model is significant. The Company's trade and other receivables mainly relate to trade receivables and rebates which comprise low individual balances with short maturity spread across a large number of unrelated customers and suppliers, resulting in low credit risk levels.

All Company hedging relationships designated under IAS 39 at 31 January 2018 met the criteria for hedge accounting under IFRS 9 at 1 February 2018, and are therefore regarded as continuing hedging relationships.

IFRS 15 replaces IAS 18 'Revenue' and establishes a principles-based approach to revenue recognition and measurement based on the concept of recognising revenue when performance obligations are satisfied.

The adoption of IFRS 15 has not had a material effect on the financial statements or the amount, timing or nature of revenue recognised by the Company. All revenue from the Company relates to contracts with customers and the Company does not apply significant judgement in determining the timing of satisfaction of its performance obligations or the transaction price allocated to those performance obligations, as the vast majority of the Company's revenue derives from in-store and click-and-collect purchases of products by customers, where revenue is generally recognised at the point of cash receipt. Revenue arising from performance obligations satisfied at a future point in time (delivered products) is not recognised until those obligations are fulfilled.

#### a. Revenue recognition

Sales represent the supply of tools, fixings and equipment excluding Value Added Tax and are net of returns, trade and staff discounts.

Revenue is recognised when control of goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

#### b. Rebates

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

Other rebates received, such as those related to advertising and marketing, are credited to the cost of sales line in the profit and loss account when the relevant conditions have been fulfilled.



# Screwfix Direct Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2019

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### 1 Principal accounting policies (continued)

#### c. Foreign currencies

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

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange at the balance sheet date. Exchange differences on monetary items are taken to the profit and loss account. Exceptions to this are where the monetary items form part of the net investment in a foreign operation or are designated and effective net investment or cash flow hedges. Such exchange differences are initially deferred in equity.

#### d. Intangible assets

Intangible fixed assets are carried in the balance sheet at cost less accumulated amortisation and any provisions for impairment. Amortisation is provided to reflect a straight-line reduction from cost to estimated residual value over the estimated useful life of the asset.

Computer software

33% straight-line

#### e. Property, plant and equipment

Property, plant and equipment held for use in the business are carried at cost less accumulated depreciation and any provisions for impairment. Assets are reviewed for impairment in each financial year.

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

Fixtures, fittings and equipment

10 - 50% straight-line

Assets in the course of construction are not depreciated.

#### f. Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

#### g. Inventories

Inventories are valued at the lower of cost and net realisable value. The value of inventories 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.

#### h. Operating leases

Operating lease rental payments are charged to the profit and loss account in the year to which the payments relate on a straight-line basis.

Incentives received or paid to enter into lease agreements are released to the profit and loss account on a straight-line basis over the lease term.

# Screwfix Direct Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2019

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### 1 Principal accounting policies (continued)

#### i. Employee benefits

##### i. Post-employment benefits

The Company participates in the Kingfisher group defined benefit and defined contribution pension schemes for its employees. A defined benefit scheme is a pension scheme which defines an amount of pension benefit which an employee will receive on retirement. A defined contribution scheme is a pension scheme under which the Company usually pays fixed contributions into a separate entity. In all cases a separate fund is being accumulated to meet the accruing liabilities. The assets of each of these funds are held under trusts and are entirely separate from the Company's assets.

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

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

For defined contribution schemes, 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.

##### ii. Share-based compensation

The Company participates in several equity-settled, share-based compensation schemes. 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 the profit and loss account 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. Further details are available in the Kingfisher plc Annual Report.

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.

##### iii. Employee Share Ownership Plan trust ('ESOP trust')

The ESOP trust is a separately administered discretionary trust. Liabilities of the ESOP trust are guaranteed by Kingfisher plc and the assets of the ESOP trust mainly comprise shares in Kingfisher plc. For further details, refer to the Kingfisher plc Annual Report.

# Screwfix Direct Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2019

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### 1 Principal accounting policies (continued)

#### j. Taxation

The tax currently payable or receivable is based on taxable profit or loss for the year.

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

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

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences or unused tax losses can be utilised. Deferred tax assets and liabilities are not generally recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

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

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

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

#### k. Provisions

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

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

# Screwfix Direct Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2019

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### 1 Principal accounting policies (continued)

#### i. Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the Company has substantially transferred the risks and rewards of ownership. Financial liabilities (or a part of a financial liability) are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

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

##### i. Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held on call with banks.

##### ii. Trade receivables

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

##### iii. Trade payables

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

##### iv. Derivatives and hedge accounting

Where hedge accounting is not applied, or to the extent to which it is not effective, changes in the fair value of derivatives are recognised in the profit and loss account as they arise.

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

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

In order to qualify for hedge accounting, the Company documents in advance the relationship between the item being hedged and the hedging instrument. The Company also documents and demonstrates an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge has been and will be highly effective on an ongoing basis. The effectiveness testing is re-performed at each year end to ensure that the hedge remains highly effective.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

# Screwfix Direct Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2019

### 1 Principal accounting policies (continued)

#### m. Exceptional items

The separate reporting of exceptional items, which are presented as exceptional within their relevant profit and loss account category, helps provide an indication of the Company's ongoing business performance. The principal items which are included as exceptional items are:

- for 2018/19, provisions for the German branch, which include provisions for the expected costs of closure and impairments of balance sheet assets.
- for 2017/18, the sale of brands to another group entity in line with the Company's ultimate parent Kingfisher plc's five-year transformation plan launched in 2016/17.

#### n. Operating profit

Operating profit is the profit before tax, finance income and exceptional expenses, as described in note 5.

### 2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Management do not consider that there are any critical accounting judgements or key sources of estimation uncertainty that the directors have considered in the process of applying the Company's accounting policies and that could have a material effect on the amounts recognised in the financial statements.

### 3 Revenue

An analysis of the Company's revenue by geographical market is set out below.

| £'000          | 2018/19          | 2017/18          |
|----------------|------------------|------------------|
| UK and Ireland | 1,669,475        | 1,515,356        |
| Rest of Europe | 14,323           | 11,736           |
|                | <u>1,683,798</u> | <u>1,527,092</u> |

Revenue is attributable to one class of business and relates to the sale of goods.

# Screwfix Direct Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2019

### 4 Finance income

| £'000  | 2018/19      | 2017/18      |
|--|--------------|--------------|
| Net interest income on defined benefit pension schemes | 311          | 407          |
| Interest receivable from Group undertakings            | 2,363        | 898          |
| <b>Net finance income</b>                              | <b>2,674</b> | <b>1,305</b> |

### 5 Other exceptional items

| £'000                           | 2018/19         | 2017/18       |
|---------------------------------|-----------------|---------------|
| Provision against German branch | (10,607)        | -             |
| Income from sale of brands      | -               | 16,471        |
|                                 | <b>(10,607)</b> | <b>16,471</b> |

During the year ended 31 January 2019, a provision was made for various assets within the German branch. This one-off provision included a write-down of stock and assets, a dilapidation provision and an onerous lease provision. The impairment of fixed assets is not included in depreciation of owned assets in note 6.

During the year ended 31 January 2018 trademarks for 'Site' and 'Smith and Locke' were sold to Kingfisher International Products Limited, a Group undertaking.

### 6 Profit before taxation

The following items of expense have been charged/(credited) in arriving at profit before taxation:

| £'000   | 2018/19       | 2017/18       |
|---|---------------|---------------|
| Operating lease rentals   |               |               |
| - Lease payments – Property   | 40,049        | 34,795        |
| - Lease payments – Equipment  | 3,476         | 4,142         |
|   | <b>43,525</b> | <b>38,937</b> |
| Amortisation of other intangible assets <sup>(1)</sup>                | 3,023         | 3,917         |
| Depreciation of property, plant and equipment and investment property | 21,223        | 24,123        |
| Inventories: write-down to net realisable value                       | 19,522        | 14,169        |
| Net foreign exchange (gains)/losses                                   | (3,077)       | 838           |
| Cost of inventory recognised as an expense                            | 929,541       | 838,827       |
| Fees payable to the Company's auditor                                 |               |               |
| Fees payable for the audit of the Company's financial statements      | 100           | 101           |
| Non-audit fees payable  | -             | 14            |

<sup>(1)</sup> Of the amortisation of other intangible assets charge £3.023m (2017/18: £0.075m) and £nil (2017/18: £3.3m) are included in selling and administrative expenses and distribution expenses respectively.

# Screwfix Direct Limited

## Notes to the financial statements (continued) for the year ended 31 January 2019

### 7 Employees and directors

| £'000                                 | 2018/19        | 2017/18        |
|---------------------------------------|----------------|----------------|
| Wages and salaries                    | 185,543        | 168,441        |
| Social security costs                 | 13,373         | 10,888         |
| Post-employment benefits              |                |                |
| - Defined contribution                | 5,820          | 4,419          |
| - Defined benefit (service cost only) | 209            | 190            |
| Share-based compensation              | 735            | 580            |
| <b>Employee benefit expenses</b>      | <b>205,680</b> | <b>184,518</b> |

| Number  | 2018/19       | 2017/18       |
|---|---------------|---------------|
| Stores  | 10,550        | 9,655         |
| Home fulfilment                                   | 546           | 504           |
| Administration                                    | 690           | 638           |
| <b>Average monthly number of persons employed</b> | <b>11,786</b> | <b>10,797</b> |

| Directors' remuneration        |              |              |
|--------------------------------|--------------|--------------|
| £'000                          | 2018/19      | 2017/18      |
| Short-term employee benefits   | 2,848        | 3,119        |
| Share-based compensation       | -            | 314          |
| <b>Directors' remuneration</b> | <b>2,848</b> | <b>3,433</b> |

The number of directors who:

|  | 2018/19 | 2017/18 |
|--|---------|---------|
| Are members of a defined contribution pension scheme   | -       | -       |
| Exercised options over shares in the parent Company  | 3       | 5       |
| Had awards receivable in the form of shares in the parent Company under long-term incentive scheme | -       | 1       |

| Remuneration of the highest paid director  |         |         |
|--|---------|---------|
| £'000  | 2018/19 | 2017/18 |
| Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes | 521     | 683     |

During the year the highest paid director exercised share options on 40,383 shares.

# Screwfix Direct Limited

## Notes to the financial statements (continued) for the year ended 31 January 2019

### 8 Tax

| £'000                                 | 2018/19       | 2017/18 |
|---------------------------------------|---------------|---------|
| <b>UK corporation tax</b>             |               |         |
|                                       | <b>32,939</b> | 29,849  |
| Adjustments in respect of prior years | <b>(45)</b>   | (1,012) |
|                                       | <b>32,894</b> | 28,837  |
| <b>Deferred tax</b>                   |               |         |
| Current year                          | <b>130</b>    | 371     |
| Adjustments in respect of prior years | <b>(171)</b>  | 238     |
|                                       | <b>(41)</b>   | 609     |
| <b>Tax expense</b>                    | <b>32,853</b> | 29,446  |

Factors affecting tax charge for the year

The tax charge for the year differs from the standard rate of corporation tax in the UK of 19% (2017/18: 19%). The differences are explained below:

| £'000   | 2018/19        | 2017/18 |
|---|----------------|---------|
| Profit before taxation  | <b>170,128</b> | 171,523 |
| Profit multiplied by standard rate of corporation tax in the UK of 19% (2017/18: 19%) | <b>32,324</b>  | 32,589  |
| Net expenses/(income) not deductible for tax purposes                                 | <b>745</b>     | (2,369) |
| Adjustments in respect of prior years   | <b>(216)</b>   | (774)   |
| <b>Tax expense</b>  | <b>32,853</b>  | 29,446  |

The UK corporation tax rate decreased from 20% to 19% with effect from 1 April 2017, and a further fall to 17% from 1 April 2020 has been announced. Accordingly, the Company's profits for this accounting year are taxed at a rate of 19% (2017/18: 19%).

### 9 Dividends

No dividends were paid during the year (2017/18: £nil).



# Screwfix Direct Limited

## Notes to the financial statements (continued) for the year ended 31 January 2019

### 10 Intangible assets

| £'000                      | Computer software | Total    |
|----------------------------|-------------------|----------|
| <b>Cost</b>                |                   |          |
| At 1 February 2018         | 36,308            | 36,308   |
| Additions                  | 529               | 529      |
| Exchange differences       | (13)              | (13)     |
| At 31 January 2019         | 36,824            | 36,824   |
| <b>Amortisation</b>        |                   |          |
| At 1 February 2018         | (33,289)          | (33,289) |
| Charge for the year        | (3,023)           | (3,023)  |
| Exchange differences       | 12                | 12       |
| At 31 January 2019         | (36,300)          | (36,300) |
| <b>Net carrying amount</b> |                   |          |
| At 31 January 2019         | 524               | 524      |
| At 31 January 2018         | 3,019             | 3,019    |

### 11 Property, plant and equipment

| £'000                      | Fixtures, fittings, and equipment | Assets in construction | Total     |
|----------------------------|-----------------------------------|------------------------|-----------|
| <b>Cost</b>                |                                   |                        |           |
| At 1 February 2018         | 278,278                           | 10,590                 | 288,868   |
| Additions                  | -                                 | 20,086                 | 20,086    |
| Disposals                  | (123)                             | (1,538)                | (1,661)   |
| Transfers                  | 22,631                            | (22,631)               | -         |
| Exchange differences       | (17)                              | -                      | (17)      |
| At 31 January 2019         | 300,769                           | 6,507                  | 307,276   |
| <b>Depreciation</b>        |                                   |                        |           |
| At 1 February 2018         | (158,878)                         | -                      | (158,878) |
| Charge for the year        | (21,223)                          | -                      | (21,223)  |
| Impairment                 | (1,013)                           | -                      | (1,013)   |
| Exchange differences       | 31                                | -                      | 31        |
| At 31 January 2019         | (181,083)                         | -                      | (181,083) |
| <b>Net carrying amount</b> |                                   |                        |           |
| At 31 January 2019         | 119,686                           | 6,507                  | 126,193   |
| At 31 January 2018         | 119,400                           | 10,590                 | 129,990   |

# Screwfix Direct Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2019

### 12 Investments in subsidiaries

At 31 January 2019 the Company held investments in each of the following subsidiaries that were all incorporated in the United Kingdom and are dormant. In all subsidiaries, 100% of the Ordinary shares of that entity are held.

DIY Express Limited  
Easydrive (GB) Limited  
Electricfix Limited  
Erbauer (UK) Limited  
Forge Steel Limited  
Geared Up Limited  
Locke & Co Limited  
Moretti (UK) Limited  
No Nonsense Limited

Plumbfix Limited  
Powersmith Limited  
Screwfix Limited  
Screws Limited  
SFD Limited  
Site (UK) Limited  
Titan Power Tools (UK) Limited  
Watersmith UK Limited

The registered office of all of the above subsidiaries is: Trade House, Mead Avenue, Houndstone Business Park, Yeovil, Somerset, BA22 8RT.

The aggregate value at which the above investments are held is £nil (2017/18: £nil).

### 13 Inventories

| £'000                     | 2018/19 | 2017/18 |
|---------------------------|---------|---------|
| Finished goods for resale | 346,129 | 309,534 |

The cost of inventories recognised as an expense and included in cost of sales for the year ended 31 January 2019 is £929.5m (2017/18: £838.8m).

# Screwfix Direct Limited

## Notes to the financial statements (continued) for the year ended 31 January 2019

### 14 Trade and other receivables

| £'000                                 | 2018/19        | 2017/18        |
|---------------------------------------|----------------|----------------|
| <b>Current</b>                        |                |                |
| Trade receivables                     | 40,290         | 42,000         |
| Provision for bad and doubtful debts  | (1,582)        | (1,584)        |
| Net trade receivables                 | 38,708         | 40,416         |
| Amounts owed by other related parties | 624,084        | 434,481        |
| Prepayments and accrued income        | 16,004         | 9,727          |
| Other receivables                     | 5,300          | 4,799          |
| <b>Trade and other receivables</b>    | <b>684,096</b> | <b>489,423</b> |

Amounts owed by other related parties are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

### 15 Trade and other payables

| £'000                                   | 2018/19        | 2017/18<br>(restated) |
|---|----------------|-----------------------|
| <b>Current</b>                          |                |                       |
| Bank overdrafts                         | 12,424         | -                     |
| Trade payables                          | 121,412        | 106,350               |
| Amounts owed from other related parties | 92,686         | 65,876                |
| Other taxation and social security      | 22,390         | 19,955                |
| Accruals and other payables             | 181,503        | 158,547               |
| <b>Trade and other payables</b>         | <b>430,415</b> | <b>350,728</b>        |

Amounts owed by other related parties are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

The onerous lease and dilapidation provisions were included within accruals and other payables during 2017/18, the directors have considered that it is more appropriate to separately disclose these as provisions for 2018/19. The 2017/18 balances have been restated for consistency, see note 16.

# Screwfix Direct Limited

## Notes to the financial statements (continued) for the year ended 31 January 2019

### 16 Provisions

| £'000                   | 2018/19      | 2017/18<br>(restated) |
|-------------------------|--------------|-----------------------|
| Dilapidations provision | 5,816        | 3,601                 |
| Onerous lease provision | 3,960        | -                     |
|                         | <b>9,776</b> | <b>3,601</b>          |
| Current                 | 5,764        | -                     |
| Non-current             | 4,012        | 3,601                 |
|                         | <b>9,776</b> | <b>3,601</b>          |

| £'000                            | Dilapidations | Onerous<br>leases | Total |
|----------------------------------|---------------|-------------------|-------|
| At 1 February 2017 (restated)    | 3,288         | -                 | 3,288 |
| Additional provision in the year | 313           | -                 | 313   |
| At 31 January 2018 (restated)    | 3,601         | -                 | 3,601 |
| Additional provision in the year | 2,215         | 3,960             | 6,175 |
| At 31 January 2019               | 5,816         | 3,960             | 9,776 |

The dilapidation provision represents management's best estimate of the Company's liability on the expiry of its current property leases. It includes an amount of £1.8m in relation to the German branch.

The onerous lease provision represents management's best estimate of future lease payments that would result in a loss for the Company. This is entirely in relation to the German branch.

The onerous lease and dilapidation provisions were included within accruals and other payables during 2017/18, the directors have considered that it is more appropriate to separately disclose these as provisions for 2018/19. The 2017/18 balances have been restated for consistency, see note 15.

# Screwfix Direct Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2019

### 17 Derivative financial instruments

| £'000                      | 2018/19 | 2017/18  |
|----------------------------|---------|----------|
| Foreign exchange contracts | 2,975   | 59       |
| Derivative assets          | 2,975   | 59       |
| Foreign exchange contracts | (1,818) | (11,553) |
| Derivative liabilities     | (1,818) | (11,553) |

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

Forward foreign exchange contracts hedge currency exposures of forecast inventory and fuel purchases. At 31 January 2019 the amount of such contracts is £172.8m (2017/18: £180.6m). The associated fair value gains and losses will be transferred to inventories when the purchases occur during the next 12 months. Losses of £2.5m (2017/18 £2.4m loss) have been transferred to inventories for contracts which matured during the year.

# Screwfix Direct Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2019

### 18 Deferred tax liabilities

| £'000                    | 2018/19        | 2017/18      |
|--------------------------|----------------|--------------|
| Deferred tax assets      | 1,334          | 3,510        |
| Deferred tax liabilities | (5,593)        | (4,243)      |
|                          | <b>(4,259)</b> | <b>(733)</b> |

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

| £'000                                  | Accelerated<br>tax<br>depreciation | Provisions | Post-<br>employment<br>benefits | Other        | Total          |
|--|------------------------------------|------------|---------------------------------|--------------|----------------|
| <b>At 1 February 2018</b>              | <b>373</b>                         | <b>954</b> | <b>(4,244)</b>                  | <b>2,184</b> | <b>(733)</b>   |
| Credit to profit and loss              | 366                                | (325)      | -                               | -            | 41             |
| (Charge) to other comprehensive income | -                                  | -          | (1,130)                         | (2,404)      | (3,534)        |
| (Charge) direct to equity              | -                                  | (33)       | -                               | -            | (33)           |
| <b>At 31 January 2019</b>              | <b>739</b>                         | <b>596</b> | <b>(5,374)</b>                  | <b>(220)</b> | <b>(4,259)</b> |

The most material item within the above provision is that of Post-employment benefits. The provision at both the year start and year end is based on actuarial reporting performed by a third party.

### 19 Post-employment benefits

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

#### Defined contribution schemes

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

| £'000                      | 2018/19 | 2017/18 |
|----------------------------|---------|---------|
| Charge to operating profit | 5,820   | 4,419   |

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

# Screwfix Direct Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2019

### 19 Post-employment benefits (continued)

#### Defined benefit schemes

The Company is one of a number of Group companies that participate in the Kingfisher Pension Scheme, and therefore the Company has accounted for its share of the scheme assets and liabilities. The valuation of the scheme has been based on the most recent actuarial valuation as at 31 March 2016 and has been updated to 31 January 2019.

The Company's share of the net defined benefit cost is allocated in accordance with its share of the contractually agreed contributions. The estimated amount of contributions expected to be paid to the pension scheme by the Company during the next financial year is £1.1m (2017/18: £1.1m). The final salary pension scheme was closed to future benefit accrual with effect from July 2012.

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

In 2010/11 and 2011/12 the Company entered into two phases of a property partnership arrangement with the scheme Trustees to address an element of the scheme deficit. Further details are given in note 26 of the consolidated financial statements of Kingfisher plc, the Company's ultimate parent. The reported pension position reflects the Company's share of the resulting scheme asset.

Further details of the Group defined benefit scheme are disclosed in the consolidated financial statements of the ultimate parent Company, which are available as discussed in note 23 below:

#### Profit and Loss Account

| £'000                                     | 2018/19 | 2017/18 |
|---|---------|---------|
| Operating cost                            | 209     | 190     |
| Net interest income                       | (311)   | (408)   |
| Total credited to profit and loss account | (102)   | (218)   |

#### Balance Sheet

| £'000                                       | 2018/19       | 2017/18       |
|---|---------------|---------------|
| Present value of defined benefit obligation | (85,822)      | (90,669)      |
| Fair value of scheme assets                 | 100,934       | 102,795       |
| <b>Net surplus in scheme</b>                | <b>15,112</b> | <b>12,126</b> |

# Screwfix Direct Limited

## Notes to the financial statements (continued) for the year ended 31 January 2019

### 20. Equity

There are 4,083 ordinary 'A' shares of £1 each, 45,917 ordinary 'C' shares of £1 each and 4,591,700 ordinary 'D' shares of £0.0001 each.

Each 'A' share, 'C' share and 'D' share shall confer on the holder of it the right to one vote per share at any general meeting of the Company.

At 1 February 2018 and 31 January 2019

|                     | Number of<br>shares<br>allotted<br>and fully<br>paid<br>'000 | Number of<br>shares<br>allotted but<br>not fully<br>paid<br>'000 | Value of<br>shares<br>allotted<br>and fully<br>paid<br>£ '000 |
|---------------------|--|--|---|
| Ordinary 'A' shares | 4  | 0  | 4   |
| Ordinary 'C' shares | 46   | 0  | 46  |
| Ordinary 'D' shares | 4,592  | 0  | 0   |
|                     | 4,642  |  | 50  |

The capital redemption reserve is a non-distributable reserve, that arose from a reduction in share capital in 1998/99.

Retained earnings comprises the accumulated profits and losses that the Company has made since incorporation, less any dividends awarded in that time.

Exchange differences relating to the translation of the net assets of the German branch from Euros into Sterling are recognised directly in the translation reserve.

The cash flow hedge reserve contains the gains/(losses) on hedging transactions that remain open at the year-end.



# Screwfix Direct Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2019

### 21 Share-based payments

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

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

Under the ShareSave scheme, eligible employees have been invited to enter 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 the invitation to subscribe, discounted by 20%. Options are exercisable within a six-month period from the conclusion of a three or five-year period.

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

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

Options have been exercised on a regular basis throughout the year. On that basis, the weighted average share price during the year, rather than at the date of exercise, is £2.80 (2017/18: £3.20). The options outstanding at the end of the year have a weighted average remaining contractual life of 4.0 years (2017/18: 6.1 years).

The Company recognised a total expense of £0.7m in the year ended 31 January 2019 (2017/18: £0.6m) relating to equity-settled share-based payment transactions.

### 22 Commitments

#### Operating lease commitments

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

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

| £'000                | 2018/19        | 2017/18        |
|----------------------|----------------|----------------|
| Less than one year   | 46,698         | 40,753         |
| One to five years    | 157,169        | 139,093        |
| More than five years | 137,787        | 133,802        |
|                      | <b>341,654</b> | <b>313,648</b> |

#### Capital commitments

Capital commitments contracted but not provided for by the Company amount to £6.6m (2017/18: £4.3m). Once provided for, these will be recognised as property, plant and equipment.

# **Screwfix Direct Limited**

## **Notes to the financial statements (continued)**

for the year ended 31 January 2019

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### **23 Ultimate controlling party**

The immediate parent company is Screwfix Investments Limited, a company registered in England and Wales. Screwfix Investments Limited's registered office is 3 Sheldon Square, Paddington, London, W2 6PX.

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 the Company for which consolidated financial statements are prepared. The Annual Report and Financial Statements of Kingfisher plc may be obtained from The Company Secretary at Kingfisher plc's registered office: 3 Sheldon Square, Paddington, London, W2 6PX.

### **24 Related party transactions**

In accordance with FRS 101 (Financial Reporting Standard 101), 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.

### **25 Events after the balance sheet date**

After the balance sheet date, the decision was made to wind down operations in Germany within the year to 31 January 2020. The closure of the branch completed on 29 August 2019. There are no other events after the balance sheet date that require disclosure.