Screwfix Direct Limited

Annual report and financial statements

for the year ended 31 January 2023

Registered number: 03006378

Screwfix Direct Limited

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Screwfix Direct Limited

Officers and Professional Advisers

Directors

J Mewett
M Britten
C Barry

Registered Office

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

Bankers

HSBC
60 Queen Victoria Street
London
EC4N 4TR

Auditor

Deloitte LLP
Statutory Auditor
Bristol

Screwfix Direct Limited

Strategic Report

The Directors present their strategic report on Screwfix Direct Limited (the 'Company') for the year ended 31 January 2023.

In preparing this strategic report, the Directors have complied with s414C of the Companies Act 2006.

Principal Activity

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

Review of the business and future developments

Screwfix Direct Limited had a decrease in like-for-like sales of (3.4% (2021/22: +10.9%) as compared with 2021/22. This decrease is largely attributable to sales in the prior year being distorted by the effects of the pandemic whereby customers spent more on home improvements due to increased time spent at home. Total sales (from continuing operations) grew by 1.5% to £2,345.4m (2021/22: £2,310.7m) as a result of a record year of expansion. FY23 saw 62 new stores opened in the UK, bringing the total number of UK outlets as at 31 January 2023 to 838 (2021/22: 776). Sales volume was lower than the previous year as inflation impacted levels of disposable income, however this was offset by higher average selling prices.

The business continued to strengthen its digital proposition throughout the year through the introduction of digital tablets in all stores, the launch of its product recommendations feature in the new Screwfix app and the continued roll-out of Screwfix Sprint.

During the year the Company continued to operate and grow a wholly owned subsidiary company, Screwfix Direct (Ireland) limited Screwfix Direct (Ireland) limited is incorporated in the Republic of Ireland and makes sales to both tradespeople and the general public in the Republic of Ireland through its website and Trade Counter network. The financial statements in this report for Screwfix Direct Limited do not include the results of Screwfix Direct (Ireland) Limited.

As part of the Kingfisher plc group of companies (the "Group"), the Company is confident that it will effectively manage through the current period of higher inflation, rising interest rates and the associated cost of living challenges in the UK. This includes being focussed on delivering value to our customers at a time when they need it most, leveraging the scale of Kingfisher to manage cost price inflation, ensuring competitive price index against competitors, as well as offering a leading range of own brands to provide customers with value options. The Company is also able to take advantage of Kingfisher's ability to support effective foreign exchange hedging. This provides protection against the volatility that has been seen in the currency markets, particularly with the US dollar due to a material amount of stock purchases made in USD.

The Company has a plan to continue to open new stores over the coming years, to significantly increase product lines available to customers and to make further investments in digital and distribution capabilities.

Key performance indicators

The Company is a subsidiary of Kingfisher plc. Further information on the Group's analysis using financial key performance indicators can be found in the 2022/23 Kingfisher plc Annual Report ("Kingfisher Annual Report"): 'Financial Review' on pages 39 to 50.

Like-for-like sales (as cited under 'Review of business and future developments' above) decreased by 3.4% (2021/22: +10.9%) as compared with 2021/22. This decrease is largely attributable to sales in the prior year being distorted by the effects of the pandemic and changes to customer demand.

Operating profit decreased by 8% from £255.8m in 2021/22 to £236.3m. The war in Ukraine directly affected the cost of living in the UK through increased commodity and energy costs. This combined with customer demand normalising after being distorted by the pandemic resulted in reduced customer demand in the year. At the same time, higher inflation has driven up operating costs, including employee pay rates and there have been significant

Screwfix Direct Limited

Strategic Report (continued)

Key performance indicators (continued)

increases to energy costs. We have also continued to invest in our IT systems to maintain our market leading offer.

The Company's profit before taxation amounted to £243.5m (2021/22: £246.7m). The reduction in profit before tax was largely offset by an increase in finance income because of higher interest rates with profit after taxation of £198.3m (2021/22: £202.8m).

The above performance indicators are used to measure growth and profitability of the continuing operations, and to demonstrate that growth comes from both the Company's efforts to increase the efficiency of its sales channels as well as the growing number of Trade Counters. As part of its ongoing performance management the Company tightly manages its investment in working capital, balancing the need to ensure stock availability levels are sufficient to meet customer demand across the range while not over investing in working capital. The Company continues to focus on improving stock availability, ensuring that the right stock is in the right locations to meet customer demands. This focus and tight management has had a positive impact on stock days, which decreased from 135 days in 2021/22 to 129 in 2022/23.

Principal risks and uncertainties

Two of the key business risks and uncertainties affecting the Company are the level of product demand and securing properties to meet the Trade Counter opening programme. The level of product demand is impacted by macro-economic conditions and competition. Product demand is monitored through monthly rolling forecasts which factor the latest trends into supply chain planning procedures. The Trade Counter opening programme is monitored within weekly meetings which include executive board members.

Other key risks and uncertainties include ongoing market conditions, competition and UK consumer confidence given the increase in interest rates and inflation. We are committed to continuing to manage our gross margin effectively in an inflationary environment, as we did in FY 2022/23. The focus of the Company on leading on price competitiveness, for which it benefits from its Own Exclusive Brands and buying power, stands it in good stead in the face of a challenging marketplace, with cost price inflation and lower consumer confidence.

The oversight for certain risks such as climate change, human rights, anti-corruption and anti-bribery matters are undertaken at a Group level and consideration and required disclosures including the associated mitigation of these risks is disclosed on pages 51 to 58 of the Kingfisher Annual Report. Activities to manage and monitor these risks are also performed at a Company level in line with the standards set at Group.

Financial risk management objectives and policies

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

As part of the Group, the Company's interest rate, liquidity and foreign exchange risks are managed centrally by the Group Treasury department who monitor and manage levels of debt finance and related finance costs.

A full description of these financial risk management policies is on pages 151 to 154 of the Kingfisher plc 2022/23 Annual Report.

Economic risk

The biggest economic risks facing the Company are weaker GDP growth in the UK, political uncertainty and social unrest, higher wage inflation (e.g., UK National Living Wage increasing by c.9.7% pa), and significant cost inflation (across raw materials, utilities and third-party labour). All these factors are considered regularly as part of the executive board's decision-making process.

Screwfix Direct Limited

Strategic Report (continued)

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, trade and other receivables and related party receivables.

The biggest credit risk is attributable to the other members of the Group, since cash is regularly passed to the Group Treasury department and is not offset by regular dividend declaration.

The Company's credit risk (excluding credit extended to other members of the Group) 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 many customers.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. The Company, along with Kingfisher plc, regularly reviews the level of cash and debt facilities required to fund its activities. This involves preparing a prudent cash flow forecast on a 13-week basis which is submitted to Group Treasury. Group Treasury then manage the cash-pool for the entire Group determining the level of debt required to fund the Group plan for repayment of debt at its maturity whilst also identifying headroom to provide a reserve against unexpected outflows. The Directors are satisfied that the Company is not subject to significant liquidity risk.

Corporate Governance

The Company is a wholly owned subsidiary of Kingfisher plc. Kingfisher plc is subject to the Financial Reporting Council UK Corporate Governance Code (the "Code") and page 63 of the Kingfisher Annual Report sets out how it has applied the Code throughout the year ended 31 January 2023. Kingfisher's commitment extends to ensuring that a robust and effective governance framework is in place to support and promote the success of all legal entities within the Group. This includes a Group Subsidiary Governance Policy (the Policy) which applies to the Company and all legal entities within the Kingfisher Group and encompasses seven overarching principles (the Principles) that each Group entity is expected to apply in pursuit of consistent and appropriate levels of governance. The Principles the Company is expected to uphold, encompass:

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

In pursuit of these governance arrangements, the Company operates a two-tier management structure comprising a statutory board and a management board. The Company also has in place an Audit Committee, Ethics and Compliance Committee, Responsible Business Committee, Health and Safety Committee and People Forum to support the management board in the performance of its duties. Their respective responsibilities are clearly defined within the matters reserved to the statutory board and the terms of reference of the management board and its committees. The management board's responsibilities include all operational matters and day-to-day running and management of the Company. The statutory board is responsible for ensuring compliance with all applicable statutory and regulatory obligations, as well as matters of corporate governance and financing arrangements. The statutory board and management board are expected to follow the Principles set out in the Policy and have due regard for the views of its stakeholders, risk in its approach to taking decisions, business needs, the interests of the Company and may in exercising their independent judgement take into account the success of other Group companies as well as the success of the Company, as codified in the Company's articles of association. The Company is expected to comply with the Group Code of Conduct as well as a suite of other Group-wide policies and to a standard commensurate with the status of Kingfisher plc as a listed entity.

The Company confirms it has complied with all Principles set out in the Policy in respect of the 2022/23 financial year.

Section 172(1) and stakeholder engagement statement

The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with Section 172 (s172) of the Companies Act 2006 (the Act). When making decisions, Directors have regard to the matters in s172, including the interests of stakeholders relevant to the Company, the impact of the Company's operations on the community and environment, and the Company's desire to maintain a reputation for high standards of business conduct as well as its long-term success. Actions and behaviours are governed by the robust governance framework of the Group, which includes, but is not limited, to Group policies and the Kingfisher Code of Conduct. The Directors acknowledge that every decision they make will not necessarily result in a positive outcome for all of the Company's stakeholders; however, by considering the Company's purpose, vision and values, together with its strategic priorities, and by having a process in place for decision-making, they aim to ensure that their decisions are consistent and that stakeholder interests are considered fairly.

As is normal for companies that are part of a wider Group of entities, day-to-day management of the Company is delegated to executives who, in turn, engage management in setting, approving, and overseeing execution of the business strategy and related policies. The Directors review financial and operational performance and legal and regulatory compliance pertinent to any decision they are taking. During the year, this information was distributed in a range of different formats including in reports and presentations on our financial and operational performance, non-financial KPIs, risk, ESG matters and the outcomes of specific pieces of engagement (for example, the results of customer and supplier surveys and focus groups). This information helps the Directors to understand the interests and views of the Company's key stakeholders as well as to have regard to s172 matters when making decisions.

The purpose of the Company is to act as a retailer of home improvement products and related home improvement services within the Group. As well as its affiliates in the Group in which it operates, the Company's key stakeholders include its customers, colleagues, suppliers, communities & non-governmental organisations (NGO's), regulators & Government, national and international external regulators of product safety. While there are cases where the Board judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both stakeholders and the Group, means that generally stakeholder engagement best takes place at an operational or Group level. As well as being a more efficient and effective approach, this also helps the Company achieve a greater positive impact on environmental, social, and other issues than by engaging as an individual Company. Please see pages 17 to 22 of the 2022/23 Kingfisher Annual Report and Accounts for details of stakeholder engagement with the Company's stakeholders at a Group level.

Set out below are some specific examples of how the Board and management have had regard to s172 matters, their approach to stakeholder engagement and the effect of certain decisions taken by them during the year.

Screwfix Direct Limited

Strategic Report (continued)

Customer engagement

Customer safety and satisfaction are pivotal to the success of our business. The needs, behaviours and feedback of our customers are collected, assessed, and used to develop our long-term strategy.

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

Customer feedback is of particular value when testing new and improved digital customer journeys both online and in store, as well as understanding the inflationary environment and economic challenges our customers face.

Supplier engagement

The Board recognises that building and maintaining trusted partnerships with the Company's suppliers is fundamental to the long-term success of the business. It does not regularly engage directly with suppliers but receives frequent reporting from the business areas which interact directly with them. The Board considers the impact to suppliers when making key strategic decisions relating to product ranges or supply and logistics.

The Company engages with suppliers, to improve outcomes for them and the Company (business as usual) and to minimise supply chain impacts caused by changes to the trading environment post-pandemic. As a result of the conflict in Ukraine, the Company (alongside the rest of Kingfisher) decided early on to stop selling the limited number of products directly sourced from Russian and Belarussian suppliers.

Employee engagement

The Directors recognise that the implementation of an effective people strategy and strong culture underpin the effective delivery of the Company's strategy and ultimately its performance. The Directors acknowledge the importance of retaining talent and consider the views of colleagues when making decisions and assessing the impact of those decisions on our colleagues.

Colleague feedback is received in several ways including from established Colleague Forums, Works' Councils and feedback chains to the Board to regular colleague engagement surveys. The Screwfix Connect intranet has regular articles and opportunities for employee feedback. Business announcements are also emailed to employees and a committee is in place to discuss and respond to employee feedback.

All employees are invited to attend Quarterly Business Updates (QBUs). These are led by their respective functional executive director, accompanied by senior managers who provide a business update, including the latest published financial information, a progress update and supporting narrative against company and functional KPIs, and a cascade of other relevant information. These QBUs also provide employees with an opportunity to ask questions of their senior managers to address issues not covered by the QBU itself.

A bi-annual employee survey is conducted utilising a third-party tool which provides an opportunity to gather feedback anonymously from employees on a range of subjects. The tool allows the reporting of an overall engagement score, as well as a score for individual teams, and enables the development of action plans specific to each part of the business. A selection of core questions tracks engagement over time to measure the impact of the execution of these plans.

The 1+1 share plan provided all colleagues with the opportunity to purchase shares up to a specified maximum total contribution. Following a holding period of one year, the Company matched each participant's investment (awarding one free share for every share bought) up to the specified maximum. This allowed every colleague the opportunity to benefit from the Group's success.

Screwfix Direct Limited

Strategic Report (continued)

The Company has continued to support colleagues continuing professional development. As part of this continually improving offer, all colleagues also have access to online courses and materials to support their training and wellness. The Company has also increased opportunities to learn and progress through expanding its apprenticeship programme and is now delivering its own Retail Level 3 and 4 apprenticeship programmes with 518 enrolled at the end of the year. Apprenticeships form a core part of the progression pipeline for the Company, with 90% of those completing the apprenticeship programme being promoted.

Kingfisher is committed to the well-being of employees and the plans for people and culture can be found on pages 14 and15 of the Kingfisher Annual Report.

The impact of the Company's operations on the community and the environment

As part of the Group, the Company aims to help customers have greener, healthier homes. The Company sells many energy, water and heat efficient products like lighting, taps and insulation to support this aspiration.

The Group is committed to specific environment-based targets, including using sustainable wood and paper products, becoming forest positive and reducing carbon emissions over the next three years. The specifics of these goals (and commentary on progress toward full achievement of these) can be found on pages 23 to 35 of the Kingfisher Annual Report and pages 19-28 of the 2022/23 Kingfisher Responsible Business Report.

The desirability of the Company maintaining a reputation for high standards of business conduct

Being a responsible business encompasses all aspects of the way we work, from the way we treat our colleagues, to our supply chain and our impact on the environment. We have clear policies and ambitious targets to ensure we take a consistent best practice approach and keep improving.

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

To ensure consistency across the Group, these policies and targets are set and monitored at a Group level. The Company also monitors its own actions, maintaining our accountability to meet the Group's standards.

The need to act fairly between members of the Company

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.

Current global demand for product has driven challenges and additional costs within the supply of product for both domestic and imported stock. We continue to utilise the Group's size and scale to meet our customers needs.

The Company has maintained its investment in a subsidiary Company (Screwfix Direct (Ireland) Limited), which started operating a Trade Counter network and website in the Republic of Ireland in 2018, with continued Trade Counter driven growth during 2022/23 and further planned for 2023/24.

Screwfix Direct Limited

Strategic Report (continued)

During 2022/23 the website supporting sales for Screwfix France business was sold to a separate legal entity that was established and began trading in France in the year.

Approved by the Board and signed on its behalf by:

DocuSigned by:

Max Britten

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M Britten

Director

Date: 28th September 2023

Screwfix Direct Limited

Directors' Report

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 2023. The following disclosures are a requirement of the Directors' report but have been elevated to the strategic report:

- Financial risk management objectives and policies
- Employee engagement
- Corporate governance arrangements
- Engagement with suppliers, customers and others

Directors

The Directors, who served throughout the year and subsequently, were as follows:

M Britten

J Mewett

C Barry (appointed 1 November 2022)

Going Concern

Net assets at the balance sheet date are £1,427.5m (2021/22: £1,244.9m) and net current assets are £1,205.7m (2021/22: £1,047.3m) and the Company is forecasting to be profitable going forward. Based on the Company's liquidity position and cash flow projections at both the balance sheet date and the approval date for the financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report, including the principal risks of the Group set out on pages 53 to58 of the Kingfisher Annual Report.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 39 to 50 of the Kingfisher Annual Report. In addition, note 25 of the Group financial statements includes the Group's financial risk management objectives and exposures to liquidity and other financial risks.

As a result of this review, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and consider it appropriate for the Group to continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further details in relation to the use of the going concern assumption and the scenario modelled by the Directors are detailed on pages 59 to 61 of the Kingfisher Annual Report.

The Company has been both profitable and cash generative up to the financial statements signing date. Company cash is held by the Kingfisher Group's Treasury department, the Group has made several statements in the 2022/23 financial year and to date in 2023/24 year in relation to the strength of Cash reserves and profit projections.

Considering the above enquiries, the Directors of Screwfix Direct Limited consider that adequate resources exist for the Company to continue in operational existence for the foreseeable future and, for the twelve months following the approval of these financial statements) 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 2023.

Screwfix Direct Limited

Directors' Report (continued)

Future Developments

The future developments of the business are discussed in the Strategic Report section of this report (please refer to page 2 of this report).

Post balance sheet events

A dividend of £1bn was paid to the Company's sole shareholder Kingfisher International Holdings Limited (KIHL) on 27th July 2023, from profits generated by the company since 4th August 2009. This dividend payment is a non-adjusting event. Otherwise there are no significant events since the balance sheet date per note 26.

Dividends

The Directors recommended that a dividend payment be made in 2023/24 (as stated above). No dividend was paid during the year (2021/22: £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. The Directors who served on the Board during the year have been granted a qualifying third-party indemnity, under the Act, which remains in force. Where relevant this covers parent companies or other Group companies.

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.

Streamlined Energy and Carbon Reporting

The Company is included in the Group reporting of the ultimate parent company, Kingfisher plc which has provided its consolidated CO_2 emission and energy consumption on pages 27 to 35 of the Kingfisher Annual Report.

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.

Screwfix Direct Limited

Directors' Report (continued)

Auditor's remuneration for other services

There was no remuneration receivable including benefits in kind by the Company's auditor; or any person who was (at any time during the period to which the accounts relate) an associate of the Company's auditor for the supply of other services by each type of service specified in the Regulations to the Company or its associates.

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 subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Approved by the Board and signed on its behalf by:

DocuSigned by:
Max Britten
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M Britten
Director

Date: 28 September 2023

Screwfix Direct Limited

Independent Auditor's Report to the Member of Screwfix Direct Limited

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 2023 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 26.

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

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

- assumptions used in the forecasts
- amount of headroom in the forecasts (cash)
- sensitivity analysis

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

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

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

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

We have nothing to report in this regard.

Screwfix Direct Limited

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

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

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

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

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

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

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit, in-house legal counsel, those outside of finance and the Directors about their own identification and assessment of the risks of irregularities, including those that are specific to the Company's business sector.

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation, UK Health and Safety Act, UK Employment Rights Act and UK GDPR; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included UK Trading Standards, UK Marketing and Promotions Regulations and UK Advertising Standards Authority.

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

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

- The valuation of the January 2023 volume rebate receivable. We identified that there may be an incentive for management to manipulate the January 2023 volume rebate receivable given that management's bonus is linked to, amongst other metrics, profitability. We performed a number of specific procedures to address this risk which included inquiring with management to understand the composition of, and key movements in, the rebates balances to determine whether any additional specific procedures were required. We understood management's processes and tested the design and implementation of the key controls in these processes that mitigate the risk. We engaged analytics specialists to assess the integrity of management's rebates model and performed a test of detail of the key inputs to ensure the balances had been calculated correctly. We also assessed the recoverability of the balance by inspecting evidence of the balance being collected post-year end.

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

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

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

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

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.

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.

DocuSigned by:
Andrew Wright
7012580DDC6F4DD...
Andrew Wright (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom

Date: 28th September 2023

Screwfix Direct Limited

Profit and Loss Account

for the year ended 31 January 2023

	Notes	2022/23 £'m	2021/22 £'m
Revenue	3	**2,345.4**	2,310.7
Cost of sales		**(1,365.1)**	(1,338.7)
Gross profit		**980.3**	972.0
Other income		**5.5**	13.3
Selling and administration expenses		**(714.6)**	(693.7)
Distribution expenses		**(34.9)**	(35.8)
Operating profit		**236.3**	255.8
Finance income	4	**16.9**	0.6
Finance expense	4	**(9.7)**	(9.7)
Profit before taxation	5	**243.5**	246.7
Tax	7	**(45.2)**	(44.9)
Profit after taxation		**198.3**	201.8

Screwfix Direct Limited

Statement of Other Comprehensive Income

for the year ended 31 January 2023

	Notes	2022/23	2021/22
		£'m	£'m
Profit for the financial year		**198.3**	201.8
Actuarial loss on post-employment benefits	12	**(11.3)**	(0.3)
Tax credit/(charge) on items that will not be reclassified	20	**3.9**	(0.2)
Total items that will not be reclassified subsequently to profit or loss		**(7.4)**	(0.5)
Currency translation (Losses)/gains		**(3.4)**	5.7
Cash flow hedges			
Fair value gains	15	**28.5**	5.7
(Losses)/gains transferred to inventories	15	**(35.3)**	10.3
Tax on items that may be reclassified	20	**1.4**	(3.0)
Total other comprehensive items for the year that may be reclassified subsequently to (loss) or profit		**(8.8)**	18.7
Other comprehensive (expense)/income for the year net of tax		**(16.2)**	18.2
Total comprehensive income for the year attributable to the owners of the Company		**182.1**	220.0

Screwfix Direct Limited

Balance Sheet

as at 31 January 2023

	Notes	**2022/23**	2021/22
		£'m	£'m
Non-current assets			
Intangible assets		**0.1**	-
Property, plant and equipment	9	**183.2**	155.0
Investments in subsidiaries	10	**6.0**	6.0
Right of use assets	11	**276.6**	254.5
Post-employment benefits	12	**10.1**	20.8
		476.0	436.3
Current assets			
Inventories	13	**451.2**	473.7
Trade and other receivables	14	**1,227.9**	1,132.8
Derivative financial instruments	15	**3.9**	5.1
Cash and bank balances	16	**12.7**	12.5
		1,695.7	1,624.1
Total assets		**2,171.7**	2,060.4
Current liabilities			
Trade and other payables	17	**(416.4)**	(522.6)
Provisions	18	**(5.5)**	(5.4)
Lease liabilities	19	**(46.2)**	(41.1)
Derivative financial instruments	15	**(6.3)**	(0.9)
Current tax liabilities		**(15.6)**	(6.8)
		(490.0)	(576.8)
Net current assets		**1,205.7**	1,047.3
Total assets less current liabilities		**1,681.7**	1,483.6
Non-current liabilities			
Lease liabilities	19	**(245.9)**	(228.9)
Deferred tax liabilities	20	**(8.3)**	(9.8)
		(254.2)	(238.7)
Total liabilities		**(744.2)**	(815.5)
Net assets		**1,427.5**	1,244.9

Screwfix Direct Limited

Balance Sheet (continued)

	Notes	2022/23 £'m	2021/22 £'m
Equity			
Share capital		**0.1**	0.1
Capital redemption reserve		**0.1**	0.1
Retained earnings		**1,429.7**	1,238.3
Translation reserve		**(0.5)**	2.9
Cash flow hedge reserve		**(1.9)**	3.5
Equity attributable to owners of the Company		**1,427.5**	1,244.9

The financial statements were approved by the Board of Directors and authorised for issue on 28 September 2023 and signed on its behalf by:

DocuSigned by:
Max Britten
10FAA78A5DD846A...
M Britten
Director
Company number 03006378

Screwfix Direct Limited

Statement of Changes in Equity

for the year ended 31 January 2023

		Attributable to equity shareholders of the Company					
£'m	Notes	Share capital	Capital redemption reserve	Retained earnings	Translation reserve	Cash flow hedge reserve	Total
Balance at 1 February 2021		0.1	0.1	1,036.2	(2.8)	(9.5)	**1,024.1**
Profit for the year		-	-	201.8	-	-	201.8
Other comprehensive (expense)/income for the year		-	-	(0.5)	5.7	13.0	18.2
Total comprehensive income for the year		-	-	201.3	5.7	13.0	220.0
Share-based compensation		-	-	1.0	-	-	1.0
Deferred tax on share-based payment transactions		-	-	(0.2)	-	-	(0.2)
Balance at 31 January 2022		0.1	0.1	1,238.3	2.9	3.5	**1,244.9**
Profit for the year		-	-	198.3	-	-	198.3
Other comprehensive expense for the year		-	-	(7.4)	(3.4)	(5.4)	(16.2)
Total comprehensive income/(expense) for the year		-	-	190.9	(3.4)	(5.4)	182.1
Share-based compensation		-	-	0.5	-	-	0.5
Balance at 31 January 2023		**0.1**	**0.1**	**1,429.7**	**(0.5)**	**(1.9)**	**1,427.5**

Screwfix Direct Limited

Notes to the Financial Statements

for the year ended 31 January 2023

1. Principal accounting policies

a. Basis of preparation

Screwfix Direct Limited (the Company) supplies trade and DIY products throughout a network of Trade Counters and other channels, primarily within the UK. The Company is incorporated in the United Kingdom under the Companies Act 2006. 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.

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

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. The Group accounts of Kingfisher plc are available to the public and can be obtained as set out in note 24.

b. Basis of accounting

The financial statements of Screwfix Direct Limited ('the Company') are for the year ended 31 January 2023 ('the year' or '2022/23') and were authorised for issue by the Board of Directors on 28 September 2023. The comparative financial year is the financial year ended 31 January 2022 ('the prior year' or '2021/22').

The Directors of the Company consider that adequate resources exist for the Company to continue in operational existence for the foreseeable future (and in particular, for the twelve months following the approval of these financial statements) 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 2023.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 'Application of Financial Reporting Requirements' issued by the FRC 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, post-employment benefits and IFRS 16 leases as explained in the accounting policies below.

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, certain disclosures relating to Revenue from Contracts with Customers and IFRS's issued but not effective.

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.

Going Concern

Net assets at the balance sheet date are £1,427.5m (2021/22: £1,244.5m) and net current assets are £1,205.7m (2021/22: £1,047.0m) and the Company is forecasting to be profitable going forward. Based on the Company's liquidity position and cash flow projections at both the balance sheet date and the approval date for the financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1. Principal accounting policies (continued)

b. Basis of accounting (continued)

Going Concern (continued)

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report, including the principal risks of the Group set out on pages 50 to 58 of the Kingfisher Annual Report.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 39 to 46 of the Kingfisher Annual Report. In addition, note 25 of the Group financial statements includes the Group's financial risk management objectives and exposures to liquidity and other financial risks.

As a result of this review, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and consider it appropriate for the Group to continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further details in relation to the use of the going concern assumption and the scenario modelled by the Directors are detailed on pages 59-61 of the Group financial statements.

The Company has been both profitable and cash generative up to the financial statements signing date. While its cash is held by the Kingfisher Group's treasury function, the Group has made several statements in the 2022/23 financial year in relation to the strength of Cash reserves and profit projections.

Considering the above enquiries, the Directors of Screwfix Direct Limited consider that adequate resources exist for the Company to continue in operational existence for the foreseeable future (and in particular, for the twelve months following the approval of these financial statements) 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 2023.

Impact of initial application of other amendments to IFRS Standards and Interpretations

There are no new or amended accounting standards that are in issue and effective for the current reporting period that impact the financial statements..

c. 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 the goods has transferred, being at the point the customer purchases the goods at a Trade Counter or the goods are delivered to the customer. Revenue is recognised at an amount that reflects the considerations to which the Company expects to be entitled in exchange for those costs. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Under the Company's standard contract terms, customers have a right of return within 30 days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. At the same time, the Company has a right to recover the product when customers exercise their right of return so consequently recognises a right to returned goods asset and a corresponding adjustment to cost of sales. The Company uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent level of returns over previous years.

1. Principal accounting policies (continued)

d. Rebates

Rebates received from suppliers mainly comprise of 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 total forecast purchases over the rebate year, where it is probable the rebates will be received and the amounts can be estimated reliably. Where a rebate agreement is yet to be signed for the calendar year, prior year rebate % is used. Discretionary rebates are not anticipated and are recognised at the earlier of being received or being agreed and invoiced to the supplier. 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.

e. 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.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

f. 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 (see g).

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.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

1. Principal accounting policies (continued)

g. Impairment of property, plant and equipment

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Cash-generating units for the business have been identified as individual stores.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than it's carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

1. Principal accounting policies (continued)

h. Leased assets (lessee accounting)

The Company assesses whether a contract is or contains a lease at inception of the contract. Typically, lease contracts relate to properties such as stores and distribution centres, and equipment leases such as mechanical handling equipment and vehicles. For leases in which the Company is a lessee, the Company recognises a right-of-use asset and a corresponding lease liability, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured as the present value of the lease payments not yet paid at the commencement date, discounted by using the rate implicit in the lease. Where the implicit rate in the lease is not readily determinable, an incremental borrowing rate is calculated and applied. The calculation methodology is based upon applying a financing spread to a risk-free rate, with the resulting rate including the effect of the credit worthiness of the operating company in which the lease is contracted, as well as the underlying term, currency and start date of the lease agreement.

Lease payments used in the measurement of the lease liability principally comprise fixed lease payments (subject to indexation/rent reviews) less any incentives. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using an effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease term comprises the non-cancellable lease term, in addition to optional periods when the Company is reasonably certain to exercise an option to extend (or not to terminate) a lease.

The lease liability is presented as a separate line in the balance sheet.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever an event occurs that changes the term or payment profile of a lease, such as the renewal of an existing lease, the exercise of lease term options, market rent reviews and indexation.

The right-of-use assets are initially measured at the amount equal to the corresponding lease liability, adjusted by any upfront lease payments or incentives and any initial direct costs incurred. Subsequently, the assets are measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated on a straight-line basis over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the balance sheet.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment of Property, Plant and Equipment' policy.

i. Investments in subsidiaries

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

1. Principal accounting policies (continued)

j. 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.

k. 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 on page 178 of the Kingfisher 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.

1. Principal accounting policies (continued)

k. Employee benefits (continued)

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 page 178 of the Kingfisher Annual Report.

l. 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.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

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.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

1. Principal accounting policies (continued)

m. Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

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

n. Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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').

1. Principal accounting policies (continued)

n. Financial instruments (continued)

iv. Derivatives and hedge accounting(continued)

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, exercised, or no longer qualifies for hedge accounting.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

v. Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade debtors and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime expected credit losses (ECL) for trade debtors and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

o. Operating profit

Operating profit is the profit before tax, finance income and exceptional expenses, from continuing operations.

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 or 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.

£'m	**2022/23**	2021/22
UK and Ireland	**2,340.7**	2,309.6
Rest of Europe	**4.7**	1.1
Total revenue	**2,345.4**	2,310.7

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

4. Finance income and expense

£'m	**2022/23**	2021/22
Finance income		
Net interest income on defined benefit pension schemes	**0.6**	0.3
Interest receivable from Group undertakings	**16.3**	0.3
Total finance income	**16.9**	0.6
Finance expense		
Interest on lease liabilities	**(9.7)**	(9.7)
Total finance expense	**(9.7)**	(9.7)

Screwfix Direct Limited

Notes to the Financial Statements (continued)

for the year ended 31 January 2023

5. Profit before taxation

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

£'m	**2022/23**	2021/22
Operating lease rentals		
- Lease payments – Equipment	**0.9**	0.6
Depreciation of property and plant and equipment [1]	**28.1**	23.3
Depreciation of right-of-use assets	**47.0**	43.7
Inventories: write-down to net realisable value	**19.4**	18.4
Staff costs (note 6)	**268.4**	271.6
Net foreign exchange (gains)	**(1.8)**	(15.9)
Cost of inventory recognised as an expense	**1,337.8**	1,327.7
Fees payable to the Company's auditor for the audit of the Company's financial statements [2]	**0.2**	0.1

[1] The depreciation of property and plant and equipment charge of £28.1m (2021/22: £23.3m) is included in selling and administration expenses.

[2] There are no non-audit fees paid/payable to the auditors.

6. Employees and Directors

£'m	**2022/23**	2021/22
Wages and salaries	**236.9**	242.9
Social security costs	**17.1**	15.4
Post-employment benefits		
- Defined contribution	**12.0**	10.8
- Defined benefit (service cost only)	**0.1**	0.1
Share-based compensation	**2.3**	2.4
Employee benefit expenses	**268.4**	271.6

Number	**2022/23**	2021/22
Stores	**11,544**	12,348
Administration	**1,243**	1,236
Average monthly number of persons employed (including executive Directors)	**12,787**	13,584

Directors' remuneration

£'m	**2022/23**	2021/22
Short-term employee benefits	**1.1**	2.4
Pension benefits	**0.1**	0.1
Share-based compensation	**0.5**	0.7
Directors' remuneration	**1.7**	3.2

6. Employees and Directors (continued)

The number of Directors who:

	2022/23	2021/22
Exercised options over shares in the ultimate parent company	-	1

Remuneration of the highest paid Director

£'000	**2022/23**	2021/22
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	**701**	624

During the year no Directors exercised share options (2021/22: the highest paid Director exercised share options, of which all share awards are long term incentive schemes, typically requiring 3 years of service).

7. Tax

£'m	**2022/23**	2021/22
UK corporation tax		
Current tax on profits for the year	**41.2**	39.3
Adjustments in respect of prior years	**0.2**	(0.1)
	41.4	39.2
Deferred tax		
Origination and reversal of temporary differences	**6.0**	7.6
Effect of change in tax rate (credit)	**(0.3)**	(0.8)
Adjustments in respect of prior years	**(1.9)**	(1.1)
	3.8	5.7
Tax expense	**45.2**	44.9

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% (2021/22: 19%). The differences are explained below:

£'m	**2022/23**	2021/22
Profit before taxation	**243.5**	246.7
Profit multiplied by standard rate of corporation tax in the UK of 19% (2021/22: 19%)	**46.3**	46.9
Net (expenses) not taxable/deductible for tax purposes	**(0.4)**	(1.6)
Adjustments in respect of prior years	**(1.7)**	(1.2)
Adjustments in respect of changes in tax rates	**1.0**	0.8
Tax expense	**45.2**	44.9

The Company's profits for this accounting period are taxed at a rate of 19% (2021/22: 19%).

Screwfix Direct Limited

Notes to the Financial Statements (continued)
for the year ended 31 January 2023

The UK corporation tax rate increased from 19% to 25% on 1 April 2023. As a result, deferred tax balances which are expected to be realised before 1 April 2023 have been measured at 19% and those that are expected to be realised after April 2023 have been measured to 25%.

8. Dividends

No dividends were paid during the year (2021/22: £nil).

9. Property, plant and equipment

£'m	Fixtures, fittings and equipment	Assets in construction	Total
Cost			
At 1 February 2022	360.3	31.0	391.3
Additions	-	56.3	56.3
Transfers	66.7	(66.7)	-
At 31 January 2023	**427.0**	**20.6**	**447.6**
Depreciation			
At 1 February 2022	(236.3)	-	(236.3)
Charge for the year	(28.1)	-	(28.1)
At 31 January 2023	**(264.4)**	**-**	**(264.4)**
Net carrying amount			
At 31 January 2023	**162.6**	**20.6**	**183.2**
At 31 January 2022	124.0	31.0	155.0

10. Investments in subsidiaries

£'m	Investments in subsidiaries
Cost and NBV	
At 1 February 2022 and 31 January 2023	**6.0**

UK investments

At 31 January 2023 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 directly.

Electricfix Limited

Screwfix Limited

SFD Limited

Geared Up Limited

Plumbfix Limited

Screwfix Foundation (Charity)

The registered office address 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 UK investments are held is £nil (2021/22: £nil).

Overseas investments

At 31 January 2023 the Company held an investment in Screwfix Direct (Ireland) Limited ("the Entity"), a company incorporated in the Republic of Ireland. 100% of the Ordinary shares of the Entity are held by the Company. The aggregate value at which the investment is held is £6.0m (2021/22: £6.0m). The entity made a loss of €2.4m (2021/22: €3.2m loss) in the financial period to 31 January 2023 and had net liabilities at the balance sheet date of €1.7m (2021/22: net assets €0.8m).

The registered office for the above subsidiary is: 6th Floor, 2 Grand Canal Square, Dublin 2, D02 A342, Republic of Ireland, and the principal place of business is Unit 4a, Feltrim Business Park, Swords, North Co. Dublin.

Screwfix Direct Limited

Notes to the Financial Statements (continued)

for the year ended 31 January 2023

11. Right of use assets

£'m	Property	Equipment	Total
Cost			
As at 1 February 2022	353.6	25.7	379.3
Additions	67.3	1.8	69.1
At 31 January 2023	**420.9**	**27.5**	**448.4**
Depreciation			
As at 1 February 2022	(113.8)	(11.0)	(124.8)
Charge for the year	(42.4)	(4.6)	(47.0)
At 31 January 2023	**(156.2)**	**(15.6)**	**(171.8)**
Net carrying amount			
At 31 January 2023	**264.7**	**11.9**	**276.6**
At 31 January 2022	239.8	14.7	254.5

The Company leases several assets including buildings and fleet. The Company's usual lease term for property is 10 years - the main exception is the Head Office lease, which has a term of 25 years. The majority of equipment leases are for 3 or 5 years.

Amounts recognised in profit and loss

£'m	**2022/23**	2021/22
Depreciation on right-of-use assets	**47.0**	43.7
Interest expense on lease liabilities	**9.7**	9.7

The Company does not have any leases with variable payments. Most Trade Counter leases have tenant break clauses at the five-year mark to reduce the Company's exposure if a Trade Counter location were to become unviable. The total amount paid on fixed leases within the year was £55.6m (2021/22: £54.1m).

The weighted average incremental borrowing rate used is updated every six months for the recognition of new leases.

There were a number of leases that meet the short-term definition under IFRS 16. The value of lease payments within the year relating to these leases was £0.9m (2021/22: £0.6m). Since these leases are on rolling short term contracts the undiscounted minimum rental payables for these leases was £nil (2021/22: £nil).

A number of agreements to lease had been entered into by the balance sheet date. These agreements are contingent upon certain events, such as the leased building being completed. These agreements have long stop dates within two years of the balance sheet date. All non-contingent leases are recognised on the balance sheet.

12. Post-employment benefits

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

Defined contribution schemes

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

£'m	**2022/23**	2021/22
Charge to operating profit	**12.0**	10.8

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.

As at 31 January 2023, contributions of £1.8m (2021/22: £1.7m) due in respect of the current reporting period had not been paid over to the schemes and are included in other payables.

Defined benefit scheme

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 Group's policy is for each entity to recognise its share of assets and liabilities based on the proportion of the scheme contributions payable by that entity. The valuation of the scheme has been based on the most recent actuarial valuation as at 31 March 2022. Following this valuation and in accordance with the scheme's Statement of Funding Principles, the Trustee and Kingfisher have agreed to cease annual employer contributions during the period from August 2022 to July 2025. See note 28 to the consolidated financial statements for further detail on the Kingfisher Pension Scheme.

The final salary pension scheme was closed to future benefit accrual with effect from July 2012.

The scheme operates under trust law and is managed and administered by the Trustee on behalf of members in accordance with the terms of the Trust Deed and Rules and relevant legislation. The Trustee Board consists of ten Trustee Directors, made up of five employer appointed Directors, one independent Director and four member-nominated Directors. The Trustee Board delegates day-to-day administration of the scheme to the Group pensions department of Kingfisher plc.

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

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

Risks to which the plan exposes the entity to are disclosed on page 160 of the Kingfisher Annual Report.

Actuarial assumptions are available on page 160 of the Kingfisher Annual Report, which include the discount rate, price inflation and rate of pension increases.

12. Post-employment benefits (continued)

Defined benefit scheme (continued)

Profit and Loss Account

£'m	**2022/23**	2021/22
Operating cost	**0.2**	0.2
Net interest income	**(0.6)**	(0.3)
Total credited to profit and loss account	**(0.4)**	(0.1)

Balance sheet

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

£'m	Defined benefit obligation	Scheme assets	Total
At 1 February 2022	(88.7)	109.4	20.8
Current service cost	(0.1)	-	(0.1)
Administration costs	-	(0.1)	(0.1)
Interest (expense)/income	(1.8)	2.4	0.6
Actuarial gains/(losses) [1]	27.3	(38.6)	(11.3)
Contributions paid by employer	-	0.2	0.2
Benefits paid	3.6	(3.6)	-
At 31 January 2023	**(59.7)**	**69.7**	**10.1**
At 1 February 2021	(93.4)	113.5	20.1
Current service cost	(0.1)	-	(0.1)
Administration costs	-	(0.1)	(0.1)
Interest (expense)/income	(1.4)	1.7	0.3
Actuarial gains/(losses) [1]	2.2	(2.5)	(0.3)
Contributions paid by employer	-	0.9	0.9
Benefits paid	4.0	(4.0)	-
At 31 January 2022	(88.7)	109.4	20.8

[1] Representing the total amounts recognised in other comprehensive income for the year.

The fair value of scheme assets is analysed as follows:

£'m	**2022/23**	2021/22
Equities	**1.4**	3.7
Government and corporate bonds	**32.4**	53.7
Property	**-**	0.1
Cash and other	**36.1**	51.9
Total fair value of scheme assets	**69.9**	109.4

The following sensitivity analysis for the scheme shows the estimated impact on the obligation resulting from changes to key actuarial assumptions, whilst holding all other assumptions constant.

12. Post-employment benefits (continued)

Defined benefit scheme (continued)

Assumption	Change in assumption	Impact on defined benefit obligation
Discount rate	Increase/decrease by 1.0%	Decrease/increase by £10m
Price inflation	Increase/decrease by 0.5%	Increase/decrease by £4m
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £4m
Mortality	Increase in life expectancy by one year	Increase by £2m

13. Inventories

£'m	2022/23	2021/22
Finished goods for resale	**451.2**	473.7

The cost of inventories recognised as an expense and included in cost of sales for the year ended 31 January 2023 is £1,337.8m (2021/22: £1,327.7m). Inventories written-down to net realisable value during the year amounted to £19.4m (2021/22: £18.4m).

14. Trade and other receivables

£'m	2022/23	2021/22
Current		
Trade receivables	**51.0**	42.5
Allowance for expected credit losses	**(1.5)**	(1.4)
Net trade receivables	**49.5**	41.1
Amounts owed by parent company	**1,139.7**	1,061.7
Amounts owed by fellow subsidiaries	**6.7**	8.1
Prepayments and accrued income	**18.8**	13.8
Other receivables	**13.2**	8.1
Trade and other receivables	**1,227.9**	1,132.8

Amounts owed by the parent company and fellow subsidiaries are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

Screwfix Direct Limited

Notes to the Financial Statements (continued)

for the year ended 31 January 2023

15. Derivative financial instruments

£'m	2022/23	2021/22
Foreign exchange contracts	**3.9**	5.1
Derivative assets	**3.9**	5.1

£'m	2022/23	2021/22
Foreign exchange contracts	**(6.3)**	(0.9)
Derivative liabilities	**(6.3)**	(0.9)

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 2023 the GBP equivalent of USD contracts is £253.0m (2021/22: £273.6m). The associated fair value gains and losses will be transferred to inventories when the purchases occur during the next 12 months. Losses of £35.3m (2021/22: £10.3m gain) have been transferred to inventories for contracts which matured during the year. Fair value gains of £28.5m (2021/22: £5.7m gain) have been deferred in equity during the year.

All of the Company's derivative contracts unwind within one year of the balance sheet date and are designed to hedge against price fluctuations in regard to specific transactions. Any movement in the value of these contracts should be counterbalanced by movements in the value of the balance sheet item they hedge against.

16. Cash and bank balances

£'m	2022/23	2021/22
Cash and bank balances	**12.7**	12.5

The Company had two facilities other than bank accounts as at the year ended 31st January 2023;

A Foreign Bills Negotiation Facility of GBP 21 million: This was still in place upon the date of signing and serves the purpose of allowing the Company to negotiate foreign bills and cheques.

A Guarantee in favour of HM Revenue & Customs for GBP 20 million: This facility is renewed each year in March, its purpose remains to provide a facility to cover customs debt.

17. Trade and other payables

£'m	2022/23	2021/22
Current		
Bank overdrafts	**-**	0.8
Trade payables	**193.5**	151.1
Amounts owed to parent company	**-**	88.4
Amounts owed to fellow subsidiaries	**16.5**	19.4
Other taxation and social security	**40.2**	47.5
Accruals	**144.6**	194.9
Other payables	**21.6**	20.5
Trade and other payables	**416.4**	522.6

The amount owed to the parent company was fully repaid in the financial year ended 31 January 2023.

Amounts owed in bank overdrafts are unsecured, interest-free and have no fixed date of repayment. They are repayable on demand.

Amounts owed to fellow subsidiaries and the ultimate parent company are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

18. Provisions

£'m	**2022/23**	2021/22
Dilapidations provision	**5.5**	5.4
	5.5	5.4

Current provisions		
Dilapidations provision	**5.5**	5.4
	5.5	5.4

£'m	Dilapidations	Total
At 31 January 2022	5.4	5.4
Unwind of discount	0.1	0.1
At 31 January 2023	**5.5**	**5.5**

The dilapidation provision represents management's best estimate of the Company's liability on the expiry of its current property leases. The existence of the leases means there is a potential liability, which would be payable on the exit of the leases. The timing of the potential liability is unknown and although not necessarily contracted to exit within the next 12 months, if the Company did choose to, then the liability would fall due and hence shown as current.

19. Lease liabilities

£'m	**2022/23**	2021/22
Lease liabilities	**292.1**	270.0

£'m	**2022/23**	2021/22
Amounts due for settlement:		
Between one and five years	**153.1**	143.7
After five years	**92.8**	85.2
	245.9	228.9
On demand or within one year	**46.2**	41.1
	292.1	270.0

There were a number of leases that meet the short-term definition under IFRS 16. The value of lease payments within the year relating to these leases was £0.9m (2021/22: £0.6m). Since the leases in effect at the balance sheet date are on rolling short-term contracts the undiscounted minimum rental payables for these leases was £nil (2021/22: £nil).

Screwfix Direct Limited

Notes to the Financial Statements (continued)
for the year ended 31 January 2023

20. Deferred tax liabilities

£'m	**2022/23**	2021/22
Deferred tax assets	**4.8**	4.4
Deferred tax liabilities	**(13.1)**	(14.2)
	(8.3)	(9.8)

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

£'m	Accelerated tax depreciation	Provisions	Post-employment benefits	IFRS 16	Other	Total
At 31 January 2022	(6.1)	1.4	(7.3)	3.0	(0.8)	(9.8)
(Charge)/credit to profit and loss	(3.5)	0.1	(0.1)	(0.3)	-	(3.8)
Credit to other comprehensive income	-	-	3.9	-	1.4	5.3
At 31 January 2023	**(9.6)**	**1.5**	**(3.5)**	**2.7**	**0.6**	**(8.3)**

The UK corporation tax rate increased from 19% to 25% on 1 April 2023. As a result, deferred tax balances which are expected to be realised before 1 April 2023 have been measured at 19% and those that are expected to be realised after April 2023 have been measured to 25%.

21. 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 and carry no right to fixed income.

At 1 February 2022 and 31 January 2023

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

There are no limits on the amounts of authorised share capital for any share class.

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 Company's assets in relation to European operations 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.

22. Share-based payments

The Company operates a number of share incentive plans including the Performance Share Plan ('PSP'), Kingfisher Alignment Share and Transformation Incentive Plan ('KASTIP'), Kingfisher Incentive Share Plan ('KISP'), Sharesave plans in the UK and the '1+1' all-colleague share plan.

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 £2.53 (2021/22: £3.38). The options outstanding at the end of the year have exercise prices ranging from nil to £2.75 (2021/22: nil to £3.06) and a weighted average remaining contractual life of 5.7 years (2021/22: 4.5 years).

In the current year the Company recognised a total expense of £2.3m (2021/22: £2.4m) relating to equity-settled share-based payment transactions.

PSP awards are based on service and performance conditions over a three-year period. The KASTIP is granted based on a three-year service condition. Under the KISP, share awards are deferred for three years. The awards are granted as nil cost options. Vesting dates may vary according to individual grants.

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 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 1+1 share plan provided all our colleagues with the opportunity to purchase shares up to a specified maximum total contribution. Following a holding period of one year, Kingfisher matches each participant's investment (awarding one free share for every share bought) up to the specified maximum.

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.

23. Capital commitments

Capital commitments contracted but not provided for by the Company amount to £0.7m (2021/22: £0.2m). Once provided these will form part of liabilities before being paid for.

24. Ultimate controlling party

The immediate parent company is Kingfisher International Holdings Limited, a company registered in England and Wales. The registered address of Kingfisher International Holdings Limited is: 1 Paddington Square, London, England, W2 1GG.

The Company's 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. A copy of the Annual Report and Financial Statements for Kingfisher plc can be obtained from www.kingfisher.com.

Screwfix Direct Limited

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for the year ended 31 January 2023

25. Related party transactions

As 100% of the Company's voting rights are controlled within the Group headed by Kingfisher plc, the Company is exempt from the requirement of IAS 24 Related Party Disclosures to disclose related party transactions with other members of the Group that are 100% owned.

26. Post balance sheet events

A dividend of £1bn was paid to the Company's sole shareholder Kingfisher International Holdings Limited (KIHL) on 27th July 2023, from profits generated by the company since 4th August 2009. This dividend payment is a non-adjusting event. Otherwise there are no significant events since the balance sheet date.

27. Contingent Liabilities

The Company has provided its wholly owned subsidiary, Screwfix Direct (Ireland) Ltd (SD(I)L), with a letter of support. The offer of support results in a contingent liability arising for the Company as in the event of SD(I)L's financial performance being worse than expected the Company would be obliged to offer financial support.