

# **Screwfix Direct Limited**

Annual report and financial statements

for the year ended 31 January 2021

Registered number: 03006378

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# **Screwfix Direct Limited**

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# **Screwfix Direct Limited**

## **Officers and Professional Advisers**

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### **Directors**

J Mewett  
M Britten

### **Registered Office**

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

### **Bankers**

HSBC  
8 Canada Square  
London  
E14 5HQ

### **Auditor**

Deloitte LLP  
Statutory Auditor  
Bristol  
BS1 6GD

# Screwfix Direct Limited

## Strategic Report

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

### Review of the business and key performance indicators

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.

Screwfix Direct Limited grew like-for-like sales by 6.1%, as compared to 2019/20, while total sales (from continuing operations) grew by 10.9%, to £2,029.9m (2019/20: £1,829.6m), driven by strong growth from the specialist trade desks exclusive to plumbers and electricians, strong digital and mobile growth and the continued roll-out of new outlets. In the year, 37 new outlets were opened bringing the total number of UK outlets at 31 January 2021 to 718.

During the year the Company continued to operate and grow a wholly owned subsidiary company. This company, 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 own website and trade counter network.

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

The Company's profit before taxation (other than for discontinued operations) amounted to £205.3m (2019/20: £224.2m) and after taxation £162.7m (2019/20: £169.1m).

Operating profit reduced by 7.2% from £230.6m in 2019/20 to £214.1m this year with the reduction driven by the operational impacts of the Covid 19 Pandemic.

The above performance indicators are all used to measure growth and profitability of the continuing operations, and to demonstrate that growth results from both the Company's efforts to increase the efficiency of its sales channels as well as the growing number of trade counters.

Screwfix Direct Limited is a subsidiary of Kingfisher plc (the "Group"). Further information on the Group's analysis using financial key performance indicators can be found in the Kingfisher plc Annual Report: 'Financial Review' on pages 33 to 39.

# Screwfix Direct Limited

## Strategic Report (continued)

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### Principal risks and uncertainties

The key business risks and uncertainties affecting the Company are the level of product demand and securing property to meet the Trade Counter opening programme. The level of product demand is impacted through macro-economic conditions and competitive intensity. Product demand monitored through monthly rolling forecast ensuring latest trends are factored into supply chain planning procedures. Trade Counter opening programme is monitored within weekly board meetings.

### Brexit

On 31 January 2020, the United Kingdom (U.K.) formally departed from the E.U., commonly referred to as "Brexit" and then entered into a transition period where it remained in both the E.U. customs union and single market until 31 December 2020. On 24 December 2020, the UK government secured a trade deal with the EU which began on 1 January 2021, when the U.K. formally left the E.U. customs union and single market. The Company has considered the nature and extent of risks and uncertainties arising from the U.K.'s departure from the E.U. and the impact on the future performance and position of the business. The Company does not consider that this has had a significant impact on its operations and ability to service its supply chains. The Company will continue to monitor outcomes, assess the impact on the regulatory environment in which they operate, its customers, supply chain and employees and will implement an appropriate response. Brexit has added additional operational complexity within logistics to Ireland. This risk is being monitored as the transitional period progresses and details about the movement of goods between the UK and Republic of Ireland becomes clearer.

### COVID-19

On 11 March 2020, the World Health Organisation ("WHO") declared COVID-19 as a pandemic, affecting multiple countries including the UK. The Company has considered the impact of this event on future operating performance and the uncertainties that this may create. There has been no material impact to the supply chain of the Company during the pandemic and the Company has not received any material support from the UK Government. Demand for the DIY products that the Company retails and supplies have not been adversely impacted by the pandemic. Due to the nature of the company's activities, we do not expect any material adverse impact arising from the pandemic. From 28 March 2020, all trade counters were closed following the government's lockdown restrictions. Hardware shops were categorised as 'online only', and therefore not eligible to remain open. All stores reopened for click and collect on 18 May, in line with the government's easing of lockdown restrictions as announced on 1 May. Strict social distancing and safety measures were put in place for all trade counters. The Company's internet sales platform was suspended between 28 March and 16 April, but after this internet sales for delivery continued to be made while trade counters were closed, though with a reduced range availability. This reduced range was in place after trade counters reopened, with the full range being made available again in July, as well as the reintroduction of in-store purchasing. This led to an increase in daily sales levels, with both daily transaction volume and daily sales totals surpassing their pre Covid-19 levels.

### Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

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

# Screwfix Direct Limited

## Strategic Report (continued)

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### Financial risk management objectives and policies (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 Kingfisher plc Group, since cash is regularly passed to the central treasury team and is not offset by regular dividend declaration.

The Company's credit risk (excluding credit extended to other members of the Kingfisher 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 a large number of customers.

#### *Liquidity risk*

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

# Screwfix Direct Limited

## Strategic Report (continued)

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### **Corporate Governance**

The Company is a wholly owned subsidiary of Kingfisher plc and is therefore subject to the principles of the Kingfisher Subsidiary Governance Policy (the Policy). The Policy applies to all legal entities within the Kingfisher Group and encompasses seven overarching 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:

#### ***Purpose and leadership***

An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.

The Company's purpose is to help its customers get the job done quickly, affordably and right first time, as well as to uphold the wider values of the group. All decisions that the board make are in pursuit of this purpose.

#### ***Board composition and Directors' responsibilities***

Effective board composition requires a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the Company.

The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.

Each of the Company's Directors has their own area of expertise, and area of responsibility, requiring different experience and in-depth knowledge. When a new board member is introduced, their skills, experience and knowledge are all considered when ensuring that they are an appropriate addition to the board and for the specific area they are to lead.

#### ***Opportunity and risk***

A board should promote the long-term sustainable success of the Company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.

During the year, the board made a number of decisions with these considerations in mind. These are particularly evident through the Covid-19 Pandemic including the adaptations of our operating model to support the safe operation of stores and fulfil our role as an essential retailer during the national lockdowns, successfully facilitating working from home options across the majority of our office-based staff, repayment of claimed government furlough support and supporting the NHS through donation of essential PPE.

#### ***Remuneration***

A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the Company.

The board's remuneration is determined at a Group level. Bonus targets and payments are aligned with the Group's values and reflect both group and Company performance. The Directors' remuneration is disclosed in note 7.

# Screwfix Direct Limited

## Strategic Report (continued)

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### *Stakeholder relationships and engagements*

Directors should foster effective stakeholder relationships aligned to the Company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

Much of this is discussed below in the s. 172(1) statement.

### **Section 172(1) 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 interests of stakeholders relevant to the Company, as an operating company. As well as the likely consequences of any decision in the long term, the desirability of the Company maintaining a reputation for high standards of business conduct, and employee interests where appropriate. They also fulfil their responsibilities through Kingfisher's highly developed framework, which includes but is not limited to Kingfisher plc Group policies, business principles and the Kingfisher Code of Conduct.

As is normal for companies that are part of a wider Group of entities, such as Screwfix Direct Limited, 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 board of Screwfix Direct Limited reviews financial and operational performance and legal and regulatory compliance pertinent to any decision they are taking.

The purpose of Screwfix Direct Limited is to act as an Operating company within the Kingfisher Group of companies. As well as its affiliates in the wider Kingfisher Group in which it operates, the Company's key stakeholders include our 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 our stakeholders and the Kingfisher Group means that generally our stakeholder engagement best takes place at an operational or Group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social, and other issues than by working as an individual company. Please see pages 63 to 69 of the 2020/21 Kingfisher plc Annual Report and Accounts for details of operational and Group-level stakeholder engagement with the Company's stakeholders as well as those of the Kingfisher Group regarding issues to which the Directors must have regard.

During the period we received information to help us understand the interests and views of the Company's key stakeholders and other relevant factors when making decisions. 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. As a result of this we have had an overview of engagement with stakeholders and other relevant factors which allows us to understand the nature of our stakeholders' concerns and to comply with our s172 duty to promote success of the Company for the benefit of its members as a whole.

Set out below are some specific examples of the board's approach to stakeholder engagement and how that engagement has influenced the Directors of Screwfix Direct Limited decisions during the year.

### **Customer engagement**

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



# Screwfix Direct Limited

## Strategic Report (continued)

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### Section 172(1) statement (continued)

#### Customer engagement (continued)

The Board recognises that customer satisfaction is pivotal to the success of the business and that feedback and consumer trends should be sought, assessed and utilised to underpin the development of the long-term strategy.

Customer feedback has been crucial in the year when testing new and improved customer journeys through the business, particularly when adapting our trade counter processes to mitigate risks to both customers and colleagues after Covid-19 mitigation.

#### Supplier engagement

The board 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 board recognises that building and maintaining trusted partnerships with the Company's suppliers is fundamental to the long-term success of the business.

During the year and after the year end, the Company has engaged with suppliers, to continue improving outcomes for suppliers and the Company (business as usual) but also to minimise supply chain impacts caused by changes to the trading environment due to Brexit.

#### 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 considering the views of colleagues when making decisions and considering the impact of those decisions on our colleagues.

The Directors ensure that they receive feedback from colleagues in a number of ways. This ranges from established Colleague Forums and 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. Any announcements are also emailed to employees and a committee is in place to discuss and respond to employee feedback.

We launched our new 1+1 staff share plan, a simple, accessible and convenient way for our colleagues to become shareholders. The new plan will mean every share bought by a colleague will be matched by the Company on a one-for-one basis after a six-month contribution and 12-month holding period. The current plan will be in place until July 2022.

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 developing its own Retail Level 3 and 4 apprenticeship programmes with 121 enrolled to date.

The Kingfisher Group is committed to the well-being of employees. The specifics on these plans around people and culture within the Group can be found on pages 22-24 of the Kingfisher plc Annual Report.

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

As part of the Kingfisher Group, the Company aims to help customers have greener, healthier homes. The Company sells a number of energy/water/heat efficient products like lighting, taps and insulation.

The Kingfisher Group is committed to specific environment-based targets, including using sustainable wood/paper products, becoming forest positive and reducing carbon emissions over the next five years. The specifics on these goals (and commentary on progress toward full achievement of these) can be found on pages 25-29 of the Kingfisher plc Annual Report.

# Screwfix Direct Limited

## Strategic Report (continued)

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### Section 172(1) statement (continued)

#### 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, that sets out personal and shared responsibilities for meeting high ethical standards and helps 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 more detailed face-to-face training sessions for colleagues in higher risk roles.

To ensure consistency across the Kingfisher Group, these policies and targets are set and monitored at a group level. The Company does monitor its own actions, but aspects of this monitoring do feedback to a group level where it is the group standards that are being adhered to.

#### The need to act fairly as between members of the Company

The Company confirmed its full compliance with all Principles set out in the Kingfisher Subsidiary Governance Policy in respect of the 2020/21 financial year.

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 both domestically and imported stock. We continue to utilise the scale of the group procurement to ensure we can best meet the needs of our customers.

The Company has maintained its investment in a subsidiary Company, that started operating a trade counter network and website in Ireland in 2018. It is anticipated that the Company will support this subsidiary through an accelerated trade counter rollout programme over the next few years.

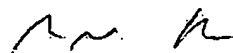
#### Future developments

Current global demand for product has driven challenges and additional costs within the supply of product both domestically and imported stock. We continue to utilise the scale of the group procurement to ensure we can best meet the needs of our customers.

The Company has maintained its investment in a subsidiary Company, that started operating a trade counter network and website in Ireland in 2018. It is anticipated that the Company will support this subsidiary through an accelerated trade counter rollout programme over the next few years.

#### Approval

Approved by the Board and signed on its behalf by:



M Britten  
Director  
21 October 2021

# Screwfix Direct Limited

## Directors' Report

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The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 January 2021. 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, except as noted, were as follows:

E Bell (resigned 31 July 2021)  
M Britten  
M Compton (resigned 31 July 2021)  
S Jackson (appointed 20 July 2020, resigned 31 July 2021)  
M Lemming (resigned 31 July 2021)  
J Mewett  
S Parsons (resigned 31 July 2021)

### Post balance sheet events

On 10 August 2021, as stated in note 11, many of the Company's dormant subsidiaries were dissolved. All of the following companies were dissolved on that date:-

DIY Express Limited	Site (UK) Limited
Easydrive (GB) Limited	Powersmith Limited
Erbauer (UK) Limited	Screws Limited
Locke & Co Limited	Titan Power Tools (UK) Limited
Moretti (UK) Limited	Watersmith UK Limited
No Nonsense Limited	

### Going Concern

#### Overview

Net assets at the balance sheet date are £1,024.1m (2019/20: £869.7m) and net current assets are £849.4m (2019/20: £709.9m) 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.

In determining whether the Company's accounts can be prepared on a going concern basis, the Directors considered the Group's business activities together with factors likely to affect its performance and financial position.

These factors included government's categorisation, under Covid-19 regulations, of the Company's activities as 'essential' in its largest markets, actual trading performance during periods in which stores were not operating under normal trading conditions, expectations of the future economic environment, the impact of mitigation actions and government support measures, available liquidity as well as the other principal risks associated with the business's ongoing operations.

# Screwfix Direct Limited

## Directors' Report (continued)

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### Going Concern (continued)

#### *Operational and business impact risk assessment*

Under Covid-19 regulations, the Company's Trade Counters have been categorised as 'essential' and continued operating while trialling alternative operating models and introducing safe operating procedures. More specifically:

All Trade Counters were closed to customers for browsing and in-store purchasing on 23 March 2020. This decision was made to allow the teams to establish safe operating protocols to protect customers and colleagues. To ensure the continued supply of essential goods, from 24 March, the Company introduced a contactless click & collect service for customers, initially for essential products only, alongside a home delivery service. The stopping of in-store trading led to a drop in revenue in late March and early April. Turnover levels had returned to a normal level by the end of April.

Through the first half of 2021/22 Financial year demand has remained high through both Trade and consumer customer groups.

A more detailed account of the Company's trading for the first half of the 2020/21 year and a full year outlook can be found within the Kingfisher Group's Half Year Results, as released on 21 September 2021.

#### *Mitigating actions*

The mitigating actions available to the Company, either already utilised or which could be (re)implemented are as follows:

- Cost savings, including through store operating efficiencies (adjustment of store variable costs; maintenance and store opening hours), reduction in discretionary costs (marketing and advertising, consumables and other goods not for resale spend, travel) and freezing of pay and recruitment;
- Limiting capital expenditure to the minimum required under contractual or legal obligations or for health and safety purposes;
- Optimising working capital by negotiating longer payment terms for rental and supplier payments, while continuing to pay all suppliers in full and according to contractual payment terms;
- Benefiting from government support programmes as far as these are maintained or reintroduced, such as business rates relief, furloughing schemes and government allowances for deferring direct and indirect tax and social security payments. All deferred tax and social security payments were made by 31 July 2021.

These mitigating actions were implemented swiftly in March and April 2021. By the financial statements approval date, these measures were no longer in effect unless it was onerous to fully reverse the actions.

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 2020/21 financial year in relation to the strength of Cash reserves and profit projections.

#### *Going concern basis*

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 2021.

# **Screwfix Direct Limited**

## **Directors' Report (continued)**

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### **Dividends**

The directors recommend no final dividend to be paid and no dividend is proposed for the current year. No dividend was paid during the year (2019/20: £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.

### **Disabled employees**

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

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through engagement surveys, briefing groups, employee forums and internal newsletters. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. All employees are entitled to participate in a savings-related share option scheme operated by Kingfisher plc, the ultimate parent undertaking, regardless of number of hours worked, provided they meet certain service conditions.

### **Streamlined Energy and Carbon Reporting**

The Company is included in the Group reporting of the ultimate parent company which has provided its consolidated CO2 emission and energy consumption on page 28 of the Kingfisher plc 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)

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### 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.

Approved by the Board and signed on its behalf by:



M Britten  
Director  
21 October 2021

# **Screwfix Direct Limited**

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

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### **Report on the audit of the financial statements**

#### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 January 2021 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 27.

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 and cash pooling arrangement
- 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.

# **Screwfix Direct Limited**

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

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### **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.

### **Responsibilities of directors**

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

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

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

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

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

### **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 and in-house legal counsel about their own identification and assessment of the risks of irregularities.



# Screwfix Direct Limited

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

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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 specific procedures performed to address it are described below:

- The completeness of the inventory provision. We identified that there may be an incentive for management to manipulate the inventory provision 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 inquiry with management to understand the composition of, and key movements in, the inventory and inventory provision balance to determine whether any additional specific procedures were required. We performed a retrospective review of the prior year estimate through test of detail to test the appropriateness of the prior year estimate. We also performed procedures on profiled sub-populations of inventory at higher risk of obsolescence to test for completeness of the inventory provision. We recalculated management's inventory provisions to ensure that the inventory provision had been correctly calculated in line with management's policy which we tested for reasonableness, and also tested the design, implementation and operating effectiveness of the key controls associated to this risk.

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 and in-house legal counsel 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.

# Screwfix Direct Limited

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

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### 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.

*Andrew Wright*

Andrew Wright (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Bristol, United Kingdom  
22 October 2021

## Screwfix Direct Limited

### Profit and Loss Account

for the year ended 31 January 2021

		Continuing	2020/21 Discontinued (note 5)	Total	Continuing Restated*	2019/20 Discontinued (note 5)	Total Restated*
	Notes	£'m	£'m	£'m	£'m	£'m	£'m
Revenue	3	2,029.9	-	2,029.9	1,829.6	5.1	1,834.7
Cost of sales		(1,177.5)	-	(1,177.5)	(1,037.6)	(4.4)	(1,042.0)
Gross profit		852.4	-	852.4	792.0	0.7	792.7
Other income		6.3	-	6.3	1.4	-	1.4
Selling and administration expenses		(616.0)	(0.1)	(616.1)	(538.5)	(5.1)	(543.6)
Distribution expenses		(28.6)	-	(28.6)	(24.3)	(0.1)	(24.4)
Operating profit/(Loss)		214.1	(0.1)	214.0	230.6	(4.5)	226.1
Exceptional expenses		-	(0.1)	(0.1)	-	(2.9)	(2.9)
Finance income	4	1.0	-	1.0	4.1	-	4.1
Finance expense	4	(9.8)	-	(9.8)	(10.5)	-	(10.5)
Profit/(Loss) before taxation	6	205.3	(0.2)	205.1	224.2	(7.4)	216.8
Tax	8	(42.6)	-	(42.6)	(55.1)	1.4	(53.7)
Profit/(Loss) after taxation		162.7	(0.2)	162.5	169.1	(6.0)	163.1

\* Details of the prior year restatement are provided in note 4.

# Screwfix Direct Limited

## Statement of Other Comprehensive Income

for the year ended 31 January 2021

	Notes	2020/21	2019/20
		£'m	£'m
<b>Profit for the financial year</b>		<b>162.5</b>	<b>163.1</b>
Actuarial gain on post-employment benefits	14	1.6	1.4
Tax on items that will not be reclassified	21	(0.5)	(0.5)
<b>Total items that will not be reclassified subsequently to profit or loss</b>		<b>1.1</b>	<b>0.9</b>
Currency translation differences		(3.6)	3.2
Cash flow hedges			
Fair value (losses)/gains		(9.4)	2.5
Gains/(losses) transferred to inventories	17	2.6	(8.6)
Tax on items that may be reclassified	21	1.3	1.1
<b>Total other comprehensive items for the year that may be reclassified subsequently to profit or (loss)</b>		<b>(9.1)</b>	<b>(1.8)</b>
<b>Other comprehensive expense for the year net of tax</b>		<b>(8.0)</b>	<b>(0.9)</b>
<b>Total comprehensive income for the year attributable to the owners of the Company</b>		<b>154.5</b>	<b>162.2</b>

# Screwfix Direct Limited

## Balance Sheet

as at 31 January 2021

	Notes	2020/21 £'m	2019/20 £'m
<b>Non-current assets</b>			
Intangible assets	10	-	-
Property, plant and equipment	11	126.4	124.5
Investments in subsidiaries	12	6.0	6.0
Right of use assets	13	238.7	247.6
Post-employment benefits	14	20.1	17.6
		<b>391.2</b>	<b>395.7</b>
<b>Current assets</b>			
Inventories	15	387.1	362.8
Trade and other receivables	16	981.6	821.1
Derivative financial instruments	17	-	0.8
Cash and bank balances		23.1	9.3
		<b>1,391.8</b>	<b>1,194.0</b>
<b>Total assets</b>		<b>1,783.0</b>	<b>1,589.7</b>
<b>Current liabilities</b>			
Trade and other payables	18	(474.2)	(411.4)
Provisions	19	(5.2)	(12.8)
Lease liabilities	20	(40.4)	(33.7)
Derivative financial instruments	17	(11.8)	(5.7)
Current tax liabilities		(10.8)	(20.5)
		<b>(542.4)</b>	<b>(484.1)</b>
<b>Net current assets</b>		<b>849.4</b>	<b>709.9</b>
<b>Total assets less current liabilities</b>		<b>1,240.6</b>	<b>1,105.6</b>
<b>Non-current liabilities</b>			
Provisions	19	-	(3.8)
Lease liabilities	20	(215.6)	(230.5)
Deferred tax liabilities	21	(0.9)	(1.6)
		<b>(216.5)</b>	<b>(235.9)</b>
<b>Total liabilities</b>		<b>(758.9)</b>	<b>(720.0)</b>
<b>Net assets</b>		<b>1,024.1</b>	<b>869.7</b>

# Screwfix Direct Limited

## Balance Sheet (continued)

	Notes	2020/21 £'m	2019/20 £'m
<b>Equity</b>			
Share capital	22	0.1	0.1
Capital redemption reserve	22	0.1	0.1
Retained earnings	22	1,036.2	872.7
Translation reserve	22	(2.8)	0.8
Cash flow hedge reserve	22	(9.5)	(4.0)
<b>Equity attributable to owners of the Company</b>		<b>1,024.1</b>	<b>869.7</b>

The financial statements were approved by the Board of Directors and authorised for issue on 21 October 2021 and signed on its behalf by:



M Britten  
Director  
Company number 03006378

## Screwfix Direct Limited

### Statement of Changes in Equity

for the year ended 31 January 2021

£'m	Notes	Attributable to equity shareholders of the Company					Total
		Share capital	Capital redemption reserve	Retained earnings	Translation reserve	Cash flow hedge reserve	
<b>Balance at 1 February 2019</b>		<b>0.1</b>	<b>0.1</b>	<b>709.0</b>	<b>(2.4)</b>	<b>1.0</b>	<b>707.8</b>
Profit for the year		-	-	163.1	-	-	163.1
Other comprehensive income/(expense) for the year		-	-	0.9	3.2	(5.0)	(0.9)
Total comprehensive income/(expense) for the year		-	-	164.0	3.2	(5.0)	162.2
Share-based compensation	23	-	-	0.1	-	-	0.1
Deferred tax on share-based payment transactions		-	-	(0.4)	-	-	(0.4)
<b>Balance at 31 January 2020</b>		<b>0.1</b>	<b>0.1</b>	<b>872.7</b>	<b>0.8</b>	<b>(4.0)</b>	<b>869.7</b>
Profit for the year		-	-	162.5	-	-	162.5
Other comprehensive income/(expense) for the year		-	-	1.1	(3.6)	(5.5)	(8.0)
Total comprehensive income/(expense) for the year		-	-	163.6	(3.6)	(5.5)	154.5
Share-based compensation	23	-	-	(0.1)	-	-	(0.1)
<b>Balance at 31 January 2021</b>		<b>0.1</b>	<b>0.1</b>	<b>1,036.2</b>	<b>(2.8)</b>	<b>(9.5)</b>	<b>1,024.1</b>

# Screwfix Direct Limited

## Notes to the Financial Statements

for the year ended 31 January 2021

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### 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. 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 25.

#### b. Basis of accounting

The financial statements of Screwfix Direct Limited ('the Company') are for the calendar year ended 31 January 2021 ('the year' or '2020/21') and were authorised for issue by the Board of Directors on 21 October 2021. The comparative financial year is the calendar year ended 31 January 2020 ('the prior year' or '2019/20').

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 2021.

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.



# Screwfix Direct Limited

## Notes to the Financial Statements (continued)

for the year ended 31 January 2021

### 1. Principal accounting policies (continued)

#### b. Basis of accounting (continued)

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

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards	<p>The Company has adopted the amendments included in <i>Amendments to References to the Conceptual Framework in IFRS Standards</i> for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.</p> <p>The standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.</p>
Amendments to IAS 1 and IAS 8 <i>Definition of material</i>	<p>The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.</p> <p>The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.</p>

#### 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.

# Screwfix Direct Limited

## Notes to the Financial Statements (continued)

for the year ended 31 January 2021

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### 1. Principal accounting policies (continued)

#### d. Rebates

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

#### 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. Intangible assets

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

Computer software

33% straight-line

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

#### g. Property, plant and equipment

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

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

Fixtures, fittings and equipment

10 - 50% straight-line

Assets in the course of construction are not depreciated.

# Screwfix Direct Limited

## Notes to the Financial Statements (continued)

for the year ended 31 January 2021

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### 1. Principal accounting policies (continued)

#### g. Property, plant and equipment (continued)

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 scrapping 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.

#### h. Impairment of property, plant and equipment and intangible assets

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets 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.

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 its 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.

# Screwfix Direct Limited

## Notes to the Financial Statements (continued)

for the year ended 31 January 2021

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### 1. Principal accounting policies (continued)

#### 1. 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 'Property, Plant and Equipment' policy.

# Screwfix Direct Limited

## Notes to the Financial Statements (continued)

for the year ended 31 January 2021

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### 1. Principal accounting policies (continued)

#### j. Investments in subsidiaries

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

#### k. 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.

#### l. 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.

# Screwfix Direct Limited

## Notes to the Financial Statements (continued)

for the year ended 31 January 2021

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### 1. Principal accounting policies (continued)

#### m. Employee benefits (continued)

##### ii. Share-based compensation

The Company participates in several equity-settled, share-based compensation schemes. The rights for each of the instruments are granted by the ultimate parent company, Kingfisher plc, and settled by shares in Kingfisher plc. These schemes are treated, for accounting purposes, as equity-settled arrangements in the Kingfisher plc financial statements. As a result, an expense is charged to the profit and loss account with the corresponding entry to equity in the Screwfix Direct Limited financial statements. On vesting of the individual arrangements, the employee obligation is settled by Kingfisher plc and the Company is recharged the fair value of the award. Further details are available in the Kingfisher plc Annual Report.

The fair value of the employee services received in exchange for the grant of options or deferred shares is recognised as an expense and is calculated primarily using Black-Scholes and stochastic models. The value of the charge is adjusted to reflect expected and actual levels of options vesting. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or deferred shares granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

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

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

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

#### n. 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.

# Screwfix Direct Limited

## Notes to the Financial Statements (continued)

for the year ended 31 January 2021

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### 1. Principal accounting policies (continued)

#### n. Taxation (continued)

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.

#### o. 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.

#### p. 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.

# Screwfix Direct Limited

## Notes to the Financial Statements (continued)

for the year ended 31 January 2021

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### 1. Principal accounting policies (continued)

#### p. Financial instruments (continued)

##### i. Cash and cash equivalents

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

##### ii. Trade receivables

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

##### iii. Trade payables

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

##### iv. Derivatives and hedge accounting

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

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

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

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

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

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.



# Screwfix Direct Limited

## Notes to the Financial Statements (continued)

for the year ended 31 January 2021

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### 1. Principal accounting policies (continued)

#### p. Financial instruments (continued)

##### 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.

#### q. 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 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.

# Screwfix Direct Limited

## Notes to the Financial Statements (continued)

for the year ended 31 January 2021

### 3. Revenue

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

£'m	2020/21	2019/20
UK and Ireland	2,029.6	1,827.3
Rest of Europe	0.3	2.3
Continuing operations	2,029.9	1,829.6
Discontinued operations	-	5.1
	2,029.9	1,834.7

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

Sales to the European Union countries was temporarily ceased in March 2020 as a result of Coronavirus precautions. As at 31 January 2021 sales had not been restarted as a result of a changing regulatory landscape after Brexit.

### 4. Finance income and expense

£'m	2020/21	2019/20 Restated
<b>Finance income</b>		
Net interest income on defined benefit pension schemes	0.3	0.4
Interest receivable from Group undertakings	0.7	3.7
<b>Total finance income</b>	<b>1.0</b>	<b>4.1</b>
<b>Finance expense</b>		
Interest on lease liabilities	(9.8)	(10.5)
<b>Total finance expense</b>	<b>(9.8)</b>	<b>(10.5)</b>

In the prior year signed financial statements the interest on lease liabilities of £10.5m was recorded within selling and administration expenses, whilst the correct classification should have been within finance expense. The interest on lease liabilities has been correctly presented for FY21 and the FY20 values have been restated to maintain consistency. The reclassification has no impact on the profit for the period ended 31 January 2021 and no impact on net assets at 31 January 2021.

### 5. Discontinued operations

On 20 March 2019, the Company announced its intention to wind down its German operations. Operations ceased on 31 August 2019.

£'m	2020/21	2019/20
Revenue	-	5.1
Cost of sales	-	(4.4)
Gross profit	-	0.7
Selling and administration expenses	(0.1)	(5.1)
Distribution expenses	-	(0.1)
Exceptional expenses	(0.1)	(2.9)
<b>Loss from discontinued operations</b>	<b>(0.2)</b>	<b>(7.4)</b>

# Screwfix Direct Limited

## Notes to the Financial Statements (continued)

for the year ended 31 January 2021

### 6. Profit before taxation

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

£'m	2020/21	2019/20
Operating lease rentals		
- Lease payments – Equipment	1.0	0.1
Amortisation of intangible assets <sup>(1)</sup>	-	0.5
Depreciation of property and plant and equipment <sup>(2)</sup>	21.8	20.8
Depreciation of right-of-use assets	39.8	37.5
Inventories: write-down to net realisable value	20.9	16.9
Staff costs (note 7)	250.3	214.8
Net foreign exchange losses/(gains)	1.6	(0.5)
Cost of inventory recognised as an expense	1,153.0	1,022.5
Fees payable to the Company's auditor for the audit of the Company's financial statements	0.1	0.1

<sup>(1)</sup> The amortisation of other intangible assets charge of £0.5m in 2019/20 was included in selling and administration expenses. All of this related to continuing operations in 2019/20.

<sup>(2)</sup> The depreciation of property and plant and equipment charge of £21.8m (2019/20: £20.8m) is included in selling and administration expenses. All of this related to continuing operations in 2020/21 (2019/20: £20.8m).

# Screwfix Direct Limited

## Notes to the Financial Statements (continued)

for the year ended 31 January 2021

### 7. Employees and directors

£'m	2020/21	2019/20
Wages and salaries	225.7	194.2
Social security costs	13.2	12.5
Post-employment benefits		
- Defined contribution	9.6	8.2
- Defined benefit (service cost only)	0.2	0.2
Share-based compensation	1.6	(0.3)
<b>Employee benefit expenses</b>	<b>250.3</b>	<b>214.8</b>

Number	2020/21	2019/20
Stores	11,341	10,800
Administration	1,182	1,199
<b>Average monthly number of persons employed (including executive directors)</b>	<b>12,523</b>	<b>11,999</b>

Directors' remuneration		
£'m	2020/21	2019/20
Short-term employee benefits	3.0	2.5
Share-based compensation	0.7	-
<b>Directors' remuneration</b>	<b>3.7</b>	<b>2.5</b>

The number of directors who:

	2020/21	2019/20
Exercised options over shares in the parent company	4	5

Remuneration of the highest paid director

£'000	2020/21	2019/20
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	574	453

During the year the highest paid director did not exercise any share options (2019/20: no share options exercised).

# Screwfix Direct Limited

## Notes to the Financial Statements (continued)

for the year ended 31 January 2021

### 8. Tax

£m	2020/21	2019/20
<b>UK corporation tax</b>		
Current tax on profits for the year	40.5	40.5
Adjustments in respect of prior years	2.2	12.7
	42.7	53.2
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(0.3)	0.4
Adjustments in respect of prior years	0.2	0.1
	(0.1)	0.5
<b>Tax expense</b>	<b>42.6</b>	<b>53.7</b>

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% (2019/20: 19%). The differences are explained below:

£m	2020/21	2019/20
Profit before taxation	205.1	216.8
Profit multiplied by standard rate of corporation tax in the UK of 19% (2019/20: 19%)	39.0	41.2
Net income/(expenses) not taxable/deductible for tax purposes	1.2	(0.3)
Adjustments in respect of prior years	2.4	12.8
<b>Tax expense</b>	<b>42.6</b>	<b>53.7</b>

The Company's profits for this accounting period are taxed at a rate of 19% (2019/20: 19%).

Following the UK Budget announcement on 3 March 2021, the corporation tax rate will increase from 19% to 25% with effect from 1 April 2023. As this rate change had not been substantively enacted by the balance sheet date, the impact is not included in these financial statements. Had the 25% tax rate been substantively enacted, the effect would be to reduce the net deferred tax liability as reported of £0.8m by £1.2m.

### 9. Dividends

No dividends were paid during the year (2019/20: £nil).

# Screwfix Direct Limited

## Notes to the Financial Statements (continued)

for the year ended 31 January 2021

### 10. Intangible assets

£'m.	Computer software	Total
<b>Cost</b>		
At 1 February 2020 and 31 January 2021	36.7	36.7
<b>Amortisation</b>		
At 1 February 2020 and 31 January 2021	(36.7)	(36.7)
<b>Net carrying amount</b>		
At 31 January 2020 and 31 January 2021	-	-

None of the above intangible assets were internally generated.

### 11. Property, plant and equipment

£'m	Fixtures, fittings and equipment	Assets in construction	Total
<b>Cost</b>			
At 1 February 2020	312.7	3.0	315.7
Additions	-	23.7	23.7
Transfers	12.8	(12.8)	-
At 31 January 2021	325.5	13.9	339.4
<b>Depreciation</b>			
At 1 February 2020	(191.2)	-	(191.2)
Charge for the year	(21.8)	-	(21.8)
At 31 January 2021	(213.0)	-	(213.0)
<b>Net carrying amount</b>			
At 31 January 2021	112.5	13.9	126.4
At 31 January 2020	121.5	3	124.5

# Screwfix Direct Limited

## Notes to the Financial Statements (continued)

for the year ended 31 January 2021

### 12. Investments in subsidiaries

£m	Investments in subsidiaries
<b>Cost and NBV</b>	
At 1 February 2020 and 31 January 2021	6.0

#### UK investments

At 31 January 2021 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.

DIY Express Limited*	Plumbfix Limited
Easydrive (GB) Limited*	Powersmith Limited*
Electricfix Limited	Screwfix Limited
Erbauer (UK) Limited*	Screws Limited*
Forge Steel Limited	SFD Limited
Geared Up Limited	Site (UK) Limited*
Locke & Co Limited*	Titan Power Tools (UK) Limited*
Moretti (UK) Limited*	Watersmith UK Limited*
No Nonsense Limited*	

\*Companies were dissolved by the balance sheet signing date (all dissolved on 10 August 2021).

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

The aggregate value at which the above UK investments are held is £nil (2019/20: £nil).

#### Overseas investments

At 31 January 2021 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 (2019/20: £6.0m). The Entity made a loss of €2.0m (2019/20: €1.0m) in the financial period to 31 January 2021 and had net assets at the balance sheet date of €4.0m (2019/20: €6.0m).

The registered office for the above subsidiary is 6th Floor, 2 Grand Canal Square, Dublin 2, 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 2021

### 13. Right of use assets

£'m	Property	Equipment	Total
<b>Cost</b>			
As at 1 February 2020	277.5	11.5	289.0
Additions	25.4	5.5	30.9
<b>At 31 January 2021</b>	<b>302.9</b>	<b>17.0</b>	<b>319.9</b>
<b>Depreciation</b>			
As at 1 February 2020	(38.1)	(3.3)	(41.4)
Charge for the year	(36.7)	(3.1)	(39.8)
<b>At 31 January 2021</b>	<b>(74.8)</b>	<b>(6.4)</b>	<b>(81.2)</b>
<b>Net carrying amount</b>			
<b>At 31 January 2021</b>	<b>228.1</b>	<b>10.6</b>	<b>238.7</b>
<b>At 31 January 2020</b>	<b>239.4</b>	<b>8.2</b>	<b>247.6</b>

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	2020/21	2019/20
Depreciation on right-of-use assets	39.8	37.5
Interest expense on lease liabilities	9.8	10.5

The Company does not have any leases with variable payments. 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 £48.0m (2019/20: £46.9m).

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 £1.0m (2019/20: £0.1m). Since these leases are on rolling short term contracts the undiscounted minimum rental payables for these leases was £nil (2019/20: £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.



# Screwfix Direct Limited

## Notes to the Financial Statements (continued)

for the year ended 31 January 2021

### 14. 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	2020/21	2019/20
Charge to operating profit	9.6	8.2

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 2021, contributions of £1.5m (2019/20: £0.7m) 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 valuation of the scheme has been based on the most recent triennial actuarial valuation as at 31 March 2019 and has been updated to 31 January 2021.

The Company's share of the net defined benefit cost is allocated in accordance with its share of the contractually agreed contributions. The estimated amount of contributions expected to be paid to the pension scheme by the Company during the next financial year is £0.8m (2019/20: £0.8m).

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 the Company 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 27 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.

#### Profit and Loss Account

£'	2020/21	2019/20
Operating cost	0.2	0.2
Net interest income	(0.3)	(0.4)
Total credited to profit and loss account	(0.1)	(0.2)

# Screwfix Direct Limited

## Notes to the Financial Statements (continued)

for the year ended 31 January 2021

### 14. Post-employment benefits (continued)

#### 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 2020	(94.0)	111.6	17.6
Current service cost	(0.1)	-	(0.1)
Administration costs	-	(0.1)	(0.1)
Interest (expense)/income	(1.5)	1.8	0.3
Actuarial gains <sup>(1)</sup>	(1.6)	3.2	1.6
Contributions paid by employer	-	0.8	0.8
Benefits paid	3.8	(3.8)	-
At 31 January 2021	(93.4)	113.5	20.1
At 1 February 2019	(85.8)	100.9	15.1
Current service cost	(0.1)	-	(0.1)
Administration costs	-	(0.1)	(0.1)
Interest (expense)/income	(2.1)	2.5	0.4
Actuarial gains <sup>(1)</sup>	(10.3)	11.7	1.4
Contributions paid by employer	-	0.9	0.9
Benefits paid	4.3	(4.3)	-
At 31 January 2020	(94.0)	111.6	17.6

<sup>(1)</sup> Representing the total amounts recognised in other comprehensive income for the year.

The fair value of scheme assets is analysed as follows:

£'m	2020/21	2019/20
Equities	6.0	5.9
Government and corporate bonds	81.7	82.6
Property	0.4	0.7
Cash and other	25.4	22.4
Total fair value of scheme assets	113.5	111.6

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.

Assumption	Change in assumption	Impact on defined benefit obligation
Discount rate	Increase/decrease by 0.5%	Decrease/increase by £10m
Price inflation	Increase/decrease by 0.5%	Increase/decrease by £8m
Rate of pension increase	Increase/decrease by 0.5%	Increase/decrease by £7m
Mortality	Increase in life expectancy by one year	Increase by £4m

# Screwfix Direct Limited

## Notes to the Financial Statements (continued)

for the year ended 31 January 2021

### 15. Inventories

£'m	2020/21	2019/20
Finished goods for resale	387.1	362.8

The cost of inventories recognised as an expense and included in cost of sales for the year ended 31 January 2021 is £1,153.0m (2019/20: £1,022.5m). Inventories written down to net realisable value during the year amounted to £20.9m (2019/20: £16.9m).

### 16. Trade and other receivables

£'m	2020/21	2019/20
<b>Current</b>		
Trade receivables	36.4	43.5
Allowance for expected credit losses	(1.6)	(2.2)
Net trade receivables	34.8	41.3
Amounts owed by parent company	918.7	739.9
Amounts owed by fellow subsidiaries	6.1	29.1
Prepayments and accrued income	14.1	5.6
Other receivables	7.9	5.2
<b>Trade and other receivables</b>	<b>981.6</b>	<b>821.1</b>

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

### 17. Derivative financial instruments

£'m	2020/21	2019/20
Foreign exchange contracts	-	0.8
<b>Derivative assets</b>	<b>-</b>	<b>0.8</b>

£'m	2020/21	2019/20
Foreign exchange contracts	(11.8)	(5.7)
<b>Derivative liabilities</b>	<b>(11.8)</b>	<b>(5.7)</b>

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 2021 the amount of such contracts is £247.3m (2019/20: £212.1m). The associated fair value gains and losses will be transferred to inventories when the purchases occur during the next 12 months. Gains of £2.6m (2019/20: £8.6m loss) have been transferred to inventories for contracts which matured during the year. Fair value losses of £9.4m (2019/20: £2.5m 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.

# Screwfix Direct Limited

## Notes to the Financial Statements (continued)

for the year ended 31 January 2021

### 18. Trade and other payables

£'m	2020/21	2019/20
<b>Current</b>		
Bank overdrafts	1.2	7.5
Trade payables	131.2	146.6
Amounts owed from parent company	89.6	85.9
Amounts owed from fellow subsidiaries	7.4	5.6
Other taxation and social security	31.1	22.8
Accruals and other payables	213.7	143.0
<b>Trade and other payables</b>	<b>474.2</b>	<b>411.4</b>

Amounts owed in bank overdrafts are unsecured, interest-free and have no fixed date of repayment. They are not repayable on demand.

Amounts owed by other 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 2021

### 19. Provisions

£'m	2020/21	2019/20
Dilapidations provision	5.2	4.2
Tax provision	-	12.4
	5.2	16.6
<b>Current provisions</b>		
Dilapidations provision	5.2	4.2
Tax provision	-	8.6
	5.2	12.8
<b>Non-current provisions</b>		
Dilapidations provision	-	-
Tax provision	-	3.8
	-	3.8

£'m	Dilapidations	Tax	Total
At 31 January 2020	4.2	12.4	16.6
Additional provision in the year	1.0	-	1.0
Provision transferred to payables in the year	-	(12.4)	(12.4)
At 31 January 2021	5.2	-	5.2

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.

The tax provision brought forward represented management's best estimate of the Company's future tax liability relating to prior periods, from a (now historic) transfer pricing tax enquiry into sourcing fees charged by group entities in overseas tax jurisdictions. In the current year any unpaid amounts are presented within tax liabilities, since the amounts payable have been substantively agreed with HMRC. The provision has therefore been transferred to payables within the year.

# Screwfix Direct Limited

## Notes to the Financial Statements (continued)

for the year ended 31 January 2021

### 20. Lease liabilities

£'m	2020/21	2019/20
Lease liabilities	256.0	264.2

£'m	2020/21	2019/20
Amounts due for settlement:		
Between one and five years	132.1	129.5
After five years	83.5	101.0
	215.6	230.5
On demand or within one year	40.4	33.7
	256.0	264.2

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 £1.0m (2019/20: £0.1m). 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 (2019/20: £nil).

### 21. Deferred tax liabilities

£'m	2020/21	2019/20
Deferred tax assets	6.2	4.7
Deferred tax liabilities	(7.1)	(6.3)
	(0.9)	(1.6)

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 2020	0.6	0.5	(6.3)	2.7	0.9	(1.6)
Charge to profit and loss	-	-	(0.1)	-	-	(0.1)
(Charge)/credit to other comprehensive income	-	-	(0.5)	-	1.4	0.9
Credit/(charge) direct to equity	-	0.1	(0.2)	-	-	(0.1)
At 31 January 2021	0.6	0.6	(7.1)	2.7	2.3	(0.9)

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

The above deferred tax assets have been recognised within the period on the basis that the Company is projecting profits for subsequent trading years, against which these will be offset as they unwind.

# Screwfix Direct Limited

## Notes to the Financial Statements (continued)

for the year ended 31 January 2021

### 22. 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 2020 and 31 January 2021

	Number of shares allotted and fully paid '000	Number of shares allotted but not fully paid '000	Value of shares allotted and fully paid £ '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.

# Screwfix Direct Limited

## Notes to the Financial Statements (continued)

for the year ended 31 January 2021

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### 23. Share-based payments

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

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

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

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

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

Options have been exercised on a regular basis throughout the year. On that basis, the weighted average share price during the year, rather than at the date of exercise, is £2.36 (2019/20: £2.19). The options outstanding at the end of the year have exercise prices ranging from £nil to £3.06 and a weighted average remaining contractual life of 5.5 years (2019/20: 4.0 years).

The Company recognised a total loss of £0.1m in the year ended 31 January 2021 (2019/20: income of £0.1m) relating to equity-settled share-based payment transactions.

### 24. Capital commitments

Capital commitments contracted but not provided for by the Company amount to £1.0m (2019/20: £0.6m). Once provided for, these will be recognised as property, plant and equipment.

### 25. Ultimate controlling party

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

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



# **Screwfix Direct Limited**

## **Notes to the Financial Statements (continued)**

for the year ended 31 January 2021

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### **26. 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.

### **27. Post balance sheet events**

On 10 August 2021, as stated in note 12, many of the Company's dormant subsidiaries were dissolved. All of the following companies were dissolved on that date:-

DIY Express Limited	Site (UK) Limited
Easydrive (GB) Limited	Powersmith Limited
Erbauer (UK) Limited	Screws Limited
Locke & Co Limited	Titan Power Tools (UK) Limited
Moretti (UK) Limited	Watersmith UK Limited
No Nonsense Limited	