B&Q PROPERTIES LIMITED

Annual Report and Financial Statements

for the year ended 31 January 2022

Registered number: 03885270

B&Q PROPERTIES LIMITED

Strategic report

for the year ended 31 January 2022

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

Principal activity

The principal activity of B&Q Properties Limited ('the Company') is property investment and provision of sites for B&Q Limited trading purposes.

Business review and dividends

The profit for the financial year before taxation amounted to £7,831k (2021: £37,159k) and profit after taxation amounted to £694k (2021: £30,003k). No dividend has been paid or is proposed in respect of the year (2021: £nil).

During the year an impairment charge of £18,685k (2021: £4,234k) was recognised against investment properties.

We actively manage the estate and look at opportunities to maximise value. During the year two investment properties have been purchased following opportunities arising with landlords in Boston and Taunton.

We have assessed the impact of the COVID-19 pandemic, and we do not consider that this has had a material adverse effect on our financial position, results of operations and/or cash flows, due to the principal activity of the businesss. We do not expect this position to change going forward.

Future outlook

There are no significant events planned in the future.

Key performance indicators

The main risks of the Company are driven as a result of the performance of Kingfisher group and B&Q Limited. A fuller understanding of the main risks and KPIs of these companies can be found within their respective Annual Report and financial statements, both of which are publicly available.

The main KPIs used by this Company are set out in the table below:

	2022 £'000	2021 £'000
Operating profit before disposals and impairments	12,782	13,850
Capital expenditure	17,198	898

The operating profit has reduced by the rental income from the investment property disposal in the year, in line with the Company strategy. The expense recognised against the recoverability of intercompany balances has risen in line with the subsidiaries' interest and management charges payable.

Capital expenditure during the year mainly relates to the purchase of both Boston and Taunton sites.

Company stakeholder engagement

The Company has a number of core stakeholders, who are taken into consideration by the Company during the course of its operations.

Tenants
The investment properties owned by the Company are primarily leased to B&Q Limited, with only a small number of external tenants. The Board are kept informed about both the internal and external tenants by the dedicated property team, who are responsible for managing the relationships with the tenants. For any decisions made that may impact the tenant, there is regular communication and consultation and feedback is obtained.

Shareholder
The shareholder of the Company is within the Kingfisher plc group, therefore any decisions made by the Company's Board also has to be approved by Kingfisher plc. There is regular communication between the Board and Kingfisher plc and a Director of the Company is also a member of Kingfisher's Group Executive team, therefore is able to offer insight in to the decisions being made that impact both the Company and the shareholder.

Section 172(1) statement

The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006 (the Act).

The Directors acknowledge that every decision they make will not necessarily result in a positive outcome for all of our stakeholders. By considering the Company's strategic priorities and having processes in place for decision-making, they do, however, aim to make sure that their decisions are consistent.

For information about the Board's approach to stakeholder engagement, including how the Board is kept informed and how engagement influenced Board discussions and decision making, see page 64 of the Kingfisher Annual Report.

Principal risks and uncertainties

The key business risks affecting the Company are set out below:

Value of the property portfolio

The investment properties are held at cost and the valuation is taken into consideration during impairment reviews. As a result, the external property investment market can affect the valuation of the properties held by the Company and adverse future conditions can result in impairment in the carrying value of assets.

In order to mitigate this risk, the Company remains aware of trends in the market and the Company responds to changes as they arise.

Development of new stores

The investment activity of the Company may be affected by the availability of suitable sites and changes in the plans of B&Q Limited. This risk is mitigated by regular liaison with B&Q Limited to ensure sites are secured to meet their needs.

The management of certain risks such as climate change, Brexit, human rights and anti-corruption and anti-bribery matters is performed at a group level and therefore consideration and required disclosures including the associated mitigation of these risks is disclosed in pages 57 - 60 of the Kingfisher plc Annual Report.

Financial risk management

The Company's operations expose it to a variety of financial risks, which include interest rate risk, liquidity risk and credit risk.

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

Interest rate risk

Interest rate risk arises from inter-company balances that bear interest at SONIA plus a margin. The directors have reviewed the Company's exposure to interest rates and have concluded that the risk is appropriate in relation to the financial results of the Company.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts when they fall due. The Company has implemented policies that require appropriate credit checks for all third party debts. The exposure of the Company to any individual counterparty (apart from B&Q Limited) is assessed as low so the directors believe that the credit risk profile for the Company is acceptable. Amounts payable by B&Q Limited are regularly reviewed by the directors and the credit risk is considered to be minimal as both entities are managed internally within the Kingfisher group.

Liquidity risk

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

Events after the balance sheet date

There are no events subsequent to the 31 January 2022 that would have a material impact on these financial statements.

The corporation tax rate will change with effect from 1 April 2023, further details are contained in note 9 to the financial statements.

There are no other significant events since the balance sheet date.

Approval

Approved by the Board and signed on its behalf by:

G Bryant
Director

Date: 15 September 2022

B&Q PROPERTIES LIMITED

Directors' report

for the year ended 31 January 2022

The directors present the Annual Report and the audited financial statements for the year ended 31 January 2022. The following have been included with the Strategic Report and form part of this report by cross reference:

Business review and dividends
Future outlook
Financial risk management
Events after the balance sheet date

Going concern

The directors continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the Significant accounting policies in the notes to the financial statements.

Directors

The directors, who served throughout the year and to the date of signing except as noted, were as follows:

G Bell
G Bryant
P Crisp
M Jacobs

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 judgments 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.

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.

B&Q PROPERTIES LIMITED

Directors' report (continued)

for the year ended 31 January 2022

Appointment of Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

G Bryant
Director

Date: 15 September 2022

Independent auditor's report to the members of B&Q Properties Limited

for the year ended 31 January 2022

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of B&Q Properties Limited (the 'company'):
- give a true and fair view of the state of the company's affairs as at 31 January 2022 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 of the Company which comprise:
- the income statement;
- the statement of changes in equity;
- the balance sheet; and
- the related notes 1 to 22.

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.

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework 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 the UK Companies Act, tax legislation; 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.

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 areas, and our specific procedures performed to address it are described below:

- Impairment of investment property: we have obtained and tested the mathematical integrity of management's value in use calculation; assessed controls over the review of the calculation; challenged the assumptions regarding future cashflows and discount rate used by management in the forecasts; and considered the extent to which contradictory evidence exists. We have also reviewed the related disclosures to ensure that they meet the requirements of FRS101.

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

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.

Report on other legal and regulatory requirements

Opinion on other matter 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 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.

C. Siviter

Claire Siviter FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom

Date: 15 September 2022

B&Q PROPERTIES LIMITED

Income statement

for the year ended 31 January 2022

£'000	Notes	2022 Total	2021 Total
Revenue	4	**22,698**	23,099
Administrative expenses		**(9,916)**	(9,249)
Other (expenses) / income	5	**(18,685)**	8,895
Operating (loss) / profit		**(5,903)**	22,745
Finance costs	6	**(701)**	(775)
Finance income	6	**14,435**	15,189
Net finance income	6	**13,734**	14,414
Profit before taxation	7	**7,831**	37,159
Income tax (expense)	9	**(7,137)**	(7,156)
Profit for the year		**694**	30,003

All of the above transactions relate to continuing operations.

The Company has no recognised gains or losses in the current or preceding year other than the gains disclosed above; therefore no separate Statement of comprehensive income has been presented.

B&Q PROPERTIES LIMITED

Statement of changes in equity

for the year ended 31 January 2022

£'000	Attributable to equity shareholders of the Company Share capital	Retained earnings	Total
At 1 February 2021	**582,223**	**68,597**	**650,820**
Profit and total comprehensive income for the year	**-**	**694**	**694**
At 31 January 2022 (note 17)	**582,223**	**69,291**	**651,514**
At 1 February 2020	582,223	38,594	620,817
Profit and total comprehensive income for the year	-	30,003	30,003
At 31 January 2021 (note 17)	582,223	68,597	650,820

Retained earnings represent accumulated profits from previous periods.

B&Q PROPERTIES LIMITED

Balance sheet

as at 31 January 2022

£'000	Notes	2022	2021
Non-current assets			
Investment property	10	**230,335**	235,868
Trade and other receivables	13	**250,000**	-
Deferred tax assets	15	**859**	564
		481,194	236,432
Current assets			
Assets held for sale	11	**2,200**	-
Trade and other receivables	13	**187,245**	432,623
		189,445	432,623
Total assets		**670,639**	669,055
Current liabilities			
Trade and other payables	14	**(1,779)**	(1,569)
Current tax liabilities		**(6,726)**	(6,822)
Provisions	16	**(40)**	(40)
		(8,545)	(8,431)
Non-current liabilities			
Deferred tax liabilities	15	**(10,580)**	(9,804)
		(10,580)	(9,804)
Total liabilities		**(19,125)**	(18,235)
Net assets		**651,514**	650,820
Equity			
Share capital	17	**582,223**	582,223
Retained earnings		**69,291**	68,597
Total equity		**651,514**	650,820

The notes on pages 12 to 21 form part of these financial statements.

The financial statements of B&Q Properties Limited (registered number 03885270) were approved by the Board of Directors and on 15 September 2022 and signed on its behalf by:

GJBryant

G Bryant
Director

1 General information

B&Q Properties Limited is a private company limited by shares, registered in England and Wales, and incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is B&Q House, Chestnut Avenue, Chandlers Ford, Eastleigh, Hampshire, England, SO53 3LE. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 1 to 3.

2 Significant accounting policies

The significant 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.

a. Basis of preparation

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

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly these financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom and the Companies Act 2006.

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 financial statements of Kingfisher plc are available to the public and can be obtained as set out in note 22.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to non-current assets held for sale, financial instruments disclosures, presentation of comparative information in respect of certain assets, standards not yet effective, presentation of a cashflow statement, related party transactions, impairment of assets and operating leases. Where required, equivalent disclosures are given in the consolidated financial statements of Kingfisher plc, which are publicly available.

b. Going concern

The directors of B&Q Properties Limited, after reviewing expenditure commitments, expected cash flows, the loss in the current financial year and borrowing facilities, and COVID-19 impacts, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the next 12 months from the date of approval of the financial statements. For this reason they continue to adopt the going concern basis of accounting in preparing these

c. Revenue recognition

Revenue is comprised primarily of rental income. Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Other income is comprised of profits and losses on disposal of assets and the impairment or reversal of impairment of investment properties.

d. Investments

Fixed asset investments in subsidiaries are included in the balance sheet at cost, less any provisions for impairment.

2 Significant accounting policies (continued)

e. Investment property

(i) Cost
Investment property is property held by the Company to earn rental income or for capital appreciation. The Company's investment properties are carried at cost less depreciation and provision for impairment.

(ii) Depreciation
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:

Freehold land	–	not depreciated
Freehold and long leasehold buildings	–	over remaining useful life
Short leasehold land and buildings	–	over remaining period of the lease
Fixtures and fittings	–	20% over life of the lease

Long leaseholds are defined as those having remaining lease terms of more than 50 years. Asset lives and residual values are reviewed at each balance sheet date.

(iii) Impairment
Investment properties are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future pre-tax cash flows ('value-in-use') of the relevant cash generating unit or fair value less costs to sell if higher. The discount rate applied is based upon the Group's weighted average cost of capital with appropriate adjustments for the risks associated with the relevant cash generating unit. Any impairment in value is charged to the income statement in the period in which it occurs.

(iv) Disposal
The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement. Sales of land and buildings are accounted for when there is an unconditional exchange of contracts.

f. Leased assets

(i) The Company as a lessee
The Company assesses whether a contract is or contains a lease at inception of the contract. Lease contracts relate to properties such as stores and distribution centres. For leases in which the Company is a lessee, the Company recognises a right-of-use asset and a lease liability.

The liability is initially measured as the present value of the lease payments not yet paid at the commencement date, discounted at an appropriate discount rate. 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 using an effective interest method whereby the carrying amount of the lease liability is measured on an amortised cost basis, and the interest expense is allocated over the lease term. 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 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 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 remaining lease term.

2 Significant accounting policies (continued)

f. Leased assets (continued)

(ii) The Company as a lessor
The Company enters into lease agreements as a lessor with respect to its investment properties. When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of revenue.

g. Capitalisation of borrowing costs

Interest on borrowings to finance the construction of properties held as non-current assets is capitalised from the date work starts on the property to the date when substantially all the activities which are necessary to get the property ready for use are complete. Where construction is completed in parts, each part is considered separately when capitalising interest. Interest is capitalised before any allowance for tax relief.

h. Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year.

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

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

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences or unused tax losses can be utilised. Deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill in a business combination. Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 period when the liability is settled or the asset is realised.

Current and deferred tax are charged or credited to the income statement, 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.

Current and deferred tax assets and liabilities are offset against each other when they relate to income taxes levied by the same tax jurisdiction and when the Company intends to settle its current tax assets and liabilities on a net basis.

2 Significant accounting policies (continued)

i. Provisions

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

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

The vacant property provision is based on the estimated value of future discounted net cash outflows relating to rent, rates and service charges. Due to uncertainty relating to the timing of disposals and the related difficulty in predicting future sublets, assignments and surrenders of leases, estimates have been included in the assessment of the provision requirement.

j. Defined contribution scheme

For defined contribution plans, the Company pays contributions to privately administered pension plans on a contractual basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

k. Financial instruments

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

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

(i) Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less.

(ii) Borrowings
Interest bearing borrowings are recorded at the proceeds received, net of direct issue costs and subsequently measured at amortised cost. Where borrowings are in designated and effective fair value hedge relationships, adjustments are made to their carrying amounts to reflect the hedged risks. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are amortised to the income statement using the effective interest method.

(iii) Other investments (including short-term deposits)
Other investments may include short-term deposits with banks and other investments with original maturities of more than three months. Investments classified as 'available-for-sale' under IAS 39, 'Financial instruments: Recognition and measurement', are initially measured at fair value, with subsequent changes in fair value recorded directly in equity.

Any dividends received are recognised in the income statement. On disposal, the accumulated fair value adjustments recognised in equity are transferred to the income statement.

(iv) 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.

2 Significant accounting policies (continued)

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

l. Assets and liabilities held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. This excludes financial assets, deferred tax assets and assets arising from employee benefits, which are measured according to the relevant accounting policy.

3 Critical accounting estimates and judgements

The preparation of the financial statements under FRS 101 requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates, judgements and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Sources of estimation uncertainty

Impairment of assets
As required, the Company applies procedures to ensure that its assets are carried at no more than their recoverable amount. The procedures, by their nature, require estimates and assumptions to be made.

Investment properties are reviewed for impairment on an annual basis. When a review for impairment is conducted, the recoverable amount of an asset or a cash generating unit is determined as the higher of fair value less costs to sell and value-in-use, calculated on the basis of external valuations, management's assumptions and estimated discount rate. An impairment of £18,685k (2021: £4,234k) has been recognised in the income statement to reduce the carrying value of the investment properties to their value-in-use or held for sale value. Further detail is included in notes 10 and 11.

The recoverability of amounts owed by Group undertakings is reviewed annually. The review includes consideration of the net asset position of the Group entity and its ability to repay the amount due to the Company. A provision of £18,896k (2021: £11,582k) has been recognised in the current year, with a bad debt expense of £7,314k (2021: £7,606k) included in the income statement. Further detail is included in note 13.

Judgements made in applying accounting policies

There are no critical accounting judgements made by the Company that are expected to result in a material adjustment to the carrying amount of assets and liabilities in the next financial year.

4 Revenue

£'000	2022	2021
Rental income	**22,698**	23,099
Revenue	**22,698**	23,099

All rental income arose in the United Kingdom.

5 Other (expenses) / income

£'000	2022	2021
Profit on disposal of land and buildings	-	13,129
Impairment of investment properties	**(9,382)**	(4,234)
Impairment of investment properties on reclassification to held for sale assets	**(9,303)**	-
Other (expenses) / income	**(18,685)**	8,895

6 Net finance income

£'000	2022	2021
Interest payable to subsidiaries	**(701)**	(775)
Finance costs	**(701)**	(775)
Interest receivable from parent and subsidiaries	**14,435**	15,189
Finance income	**14,435**	15,189
Net finance income	**13,734**	14,414

Interest is incurred at a rate of 3.0076% (2021: 3.4198%)

7 Profit before taxation

The following items of revenue have been credited in arriving at profit before taxation:

£'000	2022	2021
Revenue	**22,698**	23,099

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

£'000	2022	2021
Short term operating lease rentals		
- Minimum lease payments – Property	-	(61)
Depreciation of property, plant and equipment and investment property		
- Owned assets	**1,641**	1,626
Depreciation of right-of-use assets	**206**	206
Impairment of property, plant and equipment and investment property	**9,382**	4,234
Impairment of investment properties on reclassification to held for sale assets	**9,303**	-
Profit on disposal		
- Land and buildings, investment property and property held for sale	-	(13,129)
Audit fees payable to the Company's auditor		
- For the audit of the Company's financial statements	**42**	42

There were no fees for non-audit services in the year (2021: £nil).

8 Employees and directors

There are no employees of B&Q Properties Limited (2021: nil).

Directors' remuneration

All of the directors of the Company are remunerated by other Kingfisher Group companies. It is not possible to make an accurate apportionment of these directors' emoluments relating to services provided to the Company and as such no disclosure of emoluments received by these directors has been made in these financial statements. Retirement benefits are accruing for none of the directors (2021: £nil) under the Kingfisher plc defined benefit scheme.

9 Income tax credit

£'000	2022	2021
UK corporation tax		
Current tax on profits for the year	**6,660**	7,038
Adjustments in respect of prior years	**(4)**	33
	6,656	7,071
Deferred tax		
Current year (credit)	**(2,160)**	(992)
Adjustments in respect of changes in tax rates	**2,805**	1,077
Adjustments in respect of prior years	**(164)**	-
	481	85
Income tax expense / (credit)	**7,137**	7,156

Factors affecting tax charge for the year

The Company's profits for this accounting period are taxed at a rate of 19% (2021: 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. This change was substantively enacted in May 2021, with the effect of increasing the opening net deferred tax liability by £2.8m.

The tax charge for the year differs from the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

£'000	2022	2021
Profit before taxation	**7,831**	37,159
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	**1,488**	7,060
Net expenses not chargeable for tax purposes	**5,246**	60
Temporary differences:		
- Net gains on property	**(2,258)**	(1,074)
Adjustments in respect of prior years	**(168)**	33
Adjustments in respect of changes in tax rates	**2,829**	1,077
Income tax expense / (credit)	**7,137**	7,156

10 Investment property

£'000	Fixtures and Fittings	Land and buildings	Right-of-use assets	Total
Cost				
At 1 February 2021	**3,864**	**416,605**	**30,636**	**451,105**
Additions	**-**	**17,198**	**-**	**17,198**
Disposals	**-**	**-**	**-**	**-**
Reclassified as held for sale	**-**	**(23,945)**	**-**	**(23,945)**
At 31 January 2022	**3,864**	**409,858**	**30,636**	**444,358**
Depreciation				
At 1 February 2021	**(575)**	**(214,250)**	**(412)**	**(215,237)**
Charge for the year	**(193)**	**(1,448)**	**(206)**	**(1,847)**
Impairment charge	**-**	**(9,382)**	**-**	**(9,382)**
Disposals	**-**	**-**	**-**	**-**
On assets reclassified as held for sale	**-**	**12,443**	**-**	**12,443**
At 31 January 2022	**(768)**	**(212,637)**	**(618)**	**(214,023)**

£'000	Fixtures and Fittings	Land and buildings	Right-of-use assets	Total
Net carrying amount				
At 31 January 2022	**3,096**	**197,221**	**30,018**	**230,335**
At 31 January 2021	3,289	202,355	30,224	235,868

10 Investment property (continued)

A property valuation exercise is performed for internal purposes annually. Based on this valuation exercise the fair value of investment property is £128,335k (2021: £147,620k). The value-in-use is higher than fair value per the valuation, therefore an impairment charge has been recognised to reduce carrying value to value-in-use.

There was accumulated interest capitalised of £1,011k (2021: £1,011k) included in the above amounts at the year end. This represents interest on borrowing costs capitalised on the purchase and subsequent building on land.

11 Assets held for sale

£'000	2021	2021
Reclassified from investment property	**11,502**	-
Impairment on reclassification	**(9,302)**	-
Assets held for sale	**2,200**	-

On 31 January 2022 the board resolved to dispose of one of the Company's properties. The property, which is expected to be sold within 12 months, has been classified as held for sale and presented separately in the balance sheet.

The proceeds of disposal are expected to be less than the carrying amount of the properties and accordingly impairment losses of £9,302k have been recognised on the classification as held for sale.

12 Investments

Interests in direct subsidiaries	Address	Country of incorporation	Class of share	Activity	% owned
B&Q Properties Nursling Limited	(1)	England & Wales	£1 ordinary	Property investment	100%
B&Q Properties South Shields Limited	(1)	England & Wales	£1 ordinary	Property investment	100%
B&Q Properties Swindon Limited	(1)	England & Wales	£1 ordinary	Property investment	100%
B&Q Properties Chestnut Retail Park Limited	(1)	England & Wales	£1 ordinary	Property investment	100%
B&Q Properties Wrexham Limited	(1)	England & Wales	£1 ordinary	Property investment	100%
B&Q Properties Chesterfield Limited	(1)	England & Wales	£1 ordinary	Property investment	100%
B&Q Properties Sutton-in-Ashfield Limited	(1)	England & Wales	£1 ordinary	Property investment	100%
B&Q Properties Farnborough Limited	(1)	England & Wales	£1 ordinary	Property investment	100%
B&Q Properties Witney Limited	(1)	England & Wales	£1 ordinary	Property investment	100%
Trade Point Limited	(1)	England & Wales	£1 ordinary	Dormant	100%
Street Club Limited	(1)	England & Wales	£1 ordinary	Dormant	100%
B&Q Properties Investment Limited	(2)	Scotland	£1 ordinary	Property investment	100%

(1) B&Q House, Chestnut Avenue, Chandlers Ford, Eastleigh, SO53 3LE
(2) 2 Semple Street, Edinburgh, EH3 8BL

13 Trade and other receivables

£'000	2022	2021
Current		
Amounts owed by Group undertakings	**186,282**	431,709
Social security and other taxes	**224**	424
Prepayments and other receivables	**739**	490
Trade and other receivables	**187,245**	432,623

£'000	2022	2021
Non-Current		
Amounts owed by Group undertakings	**250,000**	-
Trade and other receivables	**250,000**	-

The term loan with Kingfisher Plc of £250m matures on 1st January 2025. Other amounts owed by Group undertakings have no fixed date of maturity, and are repayable on demand and unsecured.

Interest is charged on the intercompany balance at a rate of 3.0076% (2021: 3.4198%).

Following a review of the recoverability of intercompany balances, a provision of £18,896k has been made (2021: £11,582k). The intercompany balance as at 31 January 2022 is shown net of the provision at the year end.

14 Trade and other payables

£'000	2022	2021
Current		
Trade payables	**-**	-
Borrowings	**17**	-
Amounts owed to Group undertakings	**1,319**	1,149
Other taxes	**-**	-
Accruals and other payables	**443**	420
Trade and other payables	**1,779**	1,569

The amount owed to Group undertakings has no fixed date of maturity, is repayable on demand and is unsecured.

Interest is charged on the intercompany balance at a rate of 3.0076% (2021: 3.4198%).

15 Deferred tax

£'000	2022	2021
Deferred tax assets	**859**	564
Deferred tax liabilities	**(10,580)**	(9,804)
	(9,721)	(9,240)

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

Deferred tax is provided as follows:

£'000	2022	2021
Accelerated tax depreciation	**859**	564
Gains on property	**(10,388)**	9,612
Other	**(192)**	(192)
Total deferred tax	**(9,721)**	(9,240)

£'000	Total
At 1 February 2021	**(9,240)**
Credit to income statement	**(481)**
At 31 January 2022	**(9,721)**
At 1 February 2020	(9,155)
Credit to income statement	(85)
At 31 January 2021	(9,240)

16 Provisions

£'000	
At 1 February 2021	**40**
Released to the income statement	**-**
Utilised in the year	**-**
At 31 January 2022	**40**
At 1 February 2019	95
Released to the income statement	(55)
Utilised in the year	-
At 31 January 2020	40
Current liabilities	**40**
Non-current liabilities	**-**
	40

B&Q Properties Limited has provided against future liabilities for all properties sublet at a shortfall and long term idle properties. The provisions are based on the present value of the future cash outflows relating to rent, rates and service charges. The ultimate costs and timing of cash flows related to the above provisions are largely dependent on exiting the property lease contracts and subletting surplus space.

17 Share capital

	Authorised shares	Allotted and fully paid shares	Nominal value
Allotted, authorised, called up, and fully paid	thousands	thousands	£'000
At 1 February 2021	582,223	582,223	582,223
At 31 January 2022	**582,223**	**582,223**	**582,223**

There were no changes to share capital during the year. All shares rank pari passu in all respects.

Retained earnings represent cumulative profits or losses, net of dividends paid and other adjustments.

18 Leases

Operating leases, in which the Company is the lessor, relate to investment property owned by the Company with varying lease terms. The lessee does not have an option to purchase the property at the expiry of the lease period.

The unguaranteed residual values do not represent a significant risk for the Company, as they relate to property which has a higher market value than net book value. The Company did not identify any indications that this situation will change.

Maturity analysis of operating lease receipts:

£'000	2022	2021
Less than one year	**17,016**	17,505
One to two years	**12,344**	16,998
Two to three years	**6,487**	12,326
Three to four years	**5,635**	6,462
Four to five years	**3,215**	5,613
More than five years	**1,053**	4,268
Total	**45,750**	63,172

19 Contingent liabilities

The Company has contingent liabilities outstanding in respect of indemnities and guarantees given by its bankers amounting to £200,000 (2021: £200,000).

20 Related party transactions

As permitted by FRS 101 the Company has taken advantage of the exemption not to disclose transactions either with its immediate parent undertaking and with other wholly owned subsidiaries of the Kingfisher plc group.

21 Post balance sheet events

The corporation tax rate will change with effect from 1 April 2023; further details are contained in note 9 to the financial statements.

There are no other significant events since the balance sheet date.

22 Ultimate parent undertaking

The Company's immediate parent undertaking is Sheldon Holdings Limited.

The ultimate parent undertaking and controlling party is Kingfisher plc, a company registered in England and Wales. The largest and smallest group preparing consolidated financial statements, of which B&Q Properties Limited is a member is Kingfisher plc. The Annual Report and financial statements of Kingfisher plc may be obtained from the Company Secretary, Kingfisher plc, 3 Sheldon Square, Paddington, London, W2 6PX, which is its registered address.