

Screwfix Direct Limited

Annual report and financial statements

for the year ended 31 January 2018

Registered number: 03006378



Screwfix Direct Limited

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Screwfix Direct Limited

Officers and Professional Advisors

Directors

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

Company Secretary

N Boyd

Registered Office

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

Bankers

HSBC
1 Middle Street
Yeovil
Somerset
BA20 1LR

Auditor

Deloitte LLP
Statutory Auditor
Bristol
United Kingdom

Screwfix Direct Limited

Strategic Report

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

Review of the business

In the UK, Screwfix Direct Limited grew total sales by 16.9% to £1,527 million, driven by strong growth from the specialist trade desks exclusive to plumbers and electricians, strong digital and mobile growth (e.g. mobile +86%, click & collect +38%), and the continued roll-out of new outlets. 60 new outlets were opened during the year taking the total to 577. Our overall target is to have around 700 outlets in the UK.

In Germany, retail loss increased from £14m to £18m largely reflecting the annualisation of stores opened in the previous year. Further roll out of stores in Germany is on hold this year pending completion of the unified IT platform.

Overall net assets have increased 27.5% to £573m (2016/17: £449m).

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 counters allowed the company to increase its economic returns from leveraging existing infrastructure.

Key performance indicators

The company's profit before taxation amounted to £171.5m (2016/17: £118.5m) and after taxation £142.1m (2016/17: £93.0m).

Operating profit after exceptional items increased by 45% from £117.5m in 2016/17 to £170.2m this year, with a profit conversion of 11.2% (2016/17: 9.1%).

Exceptional income of £16.5m was received during the year for the sale of brands to another group entity in line with the Company's ultimate parent Kingfisher plc's five year transformation plan launched in 2016/17.

Screwfix is a subsidiary of Kingfisher plc (the "Group"). Further information on the Group's analysis using financial key performance indicators can be found in the Kingfisher plc Annual Report: 'Financial Review' on pages 32 to 39.

Existence of branches outside the UK

The Company has a branch in Germany.

Principal risks and uncertainties

The key business risks and uncertainties affecting the company are the level of product demand and securing property to meet the Trade Counter opening programme. The level of product demand is impacted through possible rises in interest rates, as well as the wider economic situation as discussed below.

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.

Interest rate risk

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

Screwfix Direct Limited

Strategic Report continued

Credit risk

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

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

Liquidity risk

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

Future developments

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

The Brexit decision has caused some uncertainty in the UK market, along with an impact on exchange rates, which will affect the whole market; until the terms of Brexit are defined we will continue to monitor the situation for on-going future developments.

Investment in new country development is on hold whilst Screwfix Germany's existing store network develops its core offer.

Approval

Approved by the Board and signed on its behalf by:

M Britten
Director
26th October 2018



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

Screwfix Direct Limited

Directors' Report

The directors present their annual report on the affairs of the company, together with the financial statements and auditors report, for the year ended 31 January 2018. The following disclosures are a requirement of the directors report but have been elevated to the strategic report;

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

Directors

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

S Willett
G Bell (resigned 1 October 2018)
J Mewett
R Bell (resigned 31 August 2017)
E Bell
M Lee (resigned 31 December 2017)
G Smith (resigned 31 January 2018)
R Bartlett (appointed 18 September 2017)
S Parsons (appointed 1 October 2017)
M Compton (appointed 1 November 2017)
M Lemming (appointed 5 March 2018)
M Britten (appointed 16 April 2018)

Going concern

The Company's business activities and financial performance, together with the risks and uncertainties affecting it, are described in the Strategic Report above. The Company is profitable and has considerable financial resources. On this basis, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

The Company's activities expose it to a number of financial risks including credit risk, cash flow 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 principal risks and uncertainties facing the Company are discussed in more detail in the Strategic Report.

Subsequent events after the balance sheet date

There are no subsequent events after the balance sheet date that require disclosure.

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 (2016/17: £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.

Screwfix Direct Limited

Directors' Report continued

Employee consultation

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

Auditor

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

- so far as the director is aware, there is no relevant audit information (as defined by section 418 of the Companies Act 2006) 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.

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

Directors responsibilities

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 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 FRS 101 "Reduced Disclosure Framework" has 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
26th October 2018



Trade House
Mead Avenue
Houndstone Business Park
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BA22 8RT

Screwfix Direct Limited

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 January 2018 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 23.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Screwfix Direct Limited

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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.



26th October 2018

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

Screwfix Direct Limited

Profit and Loss Account

for the year ended 31 January 2018

		2017/18	2016/17
	Notes	£'000	£'000
Turnover	3	1,527,092	1,306,018
Cost of sales		(859,400)	(730,940)
Gross profit		667,692	575,078
Selling and administration expenses		(492,713)	(438,041)
Distribution expenses		(21,232)	(19,585)
Other exceptional income	5	16,471	-
Operating profit		170,218	117,452
Finance income	4	1,305	996
Profit before taxation	6	171,523	118,448
Tax	8	(29,446)	(25,426)
Profit for the financial year		142,077	93,022

All of the above transactions relate to continuing operations.

Screwfix Direct Limited

Statement of Other Comprehensive Income

for the year ended 31 January 2018

	Notes	2017/18	2016/17
		£'000	£'000
Profit for the year		142,077	93,022
Actuarial loss on post-employment benefits	18	(2,198)	(1,781)
Tax on items that will not be reclassified		556	414
Total items that will not be reclassified subsequently to profit or loss		(1,642)	(1,367)
Currency translation differences		(521)	(2,469)
Cash flow hedges			
Fair value (losses)/gains		(18,109)	24,192
Gains transferred to inventories		(2,389)	(23,770)
Tax on items that may be reclassified		4,000	24
Total other comprehensive expense for the year that may be subsequently reclassified to profit or loss		(17,019)	(2,023)
Other comprehensive expense for the year		(18,661)	(3,390)
Total comprehensive income for the year attributable to the owners of the company		123,416	89,632

Screwfix Direct Limited

Balance Sheet as at 31 January 2018

	Notes	2017/18 £'000	2016/17 £'000
Non-current assets			
Intangible assets	10	3,019	6,965
Property, plant and equipment	11	129,990	113,107
Investments in subsidiaries	12	-	-
Post-employment benefits	18	12,126	12,993
		145,135	133,065
Current assets			
Inventories	13	309,534	266,120
Trade and other receivables	14	489,423	352,610
Derivative assets	16	59	10,195
Cash and cash equivalents		9,525	7,915
		808,541	636,840
Total assets		953,676	769,905
Current liabilities			
Trade and other payables	15	(354,329)	(303,675)
Derivative liabilities	16	(11,553)	(1,209)
Current tax liabilities		(14,455)	(12,003)
		(380,337)	(316,887)
Non-current liabilities			
Deferred tax liabilities	17	(733)	(3,857)
Total liabilities		(381,070)	(320,744)
Net assets		572,606	449,161
Equity			
Called up share capital	19	50	50
Capital redemption reserve		144	144
Retained earnings		584,752	444,288
Translation reserve		(3,030)	(2,509)
Cash flow hedge reserve		(9,310)	7,188
Total equity		572,606	449,161

The financial statements were approved by the Board of Directors and authorised for issue on 26 October 2018 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 2018

£'000	Attributable to equity shareholders of the Company					Total
	Share capital	Capital redemption reserve	Retained earnings	Translation reserve	Cash flow hedge reserve	
At 1 February 2017	50	144	444,288	(2,509)	7,188	449,161
Profit for the year	-	-	142,077	-	-	142,077
Other comprehensive income/(expense) for the year	-	-	(1,642)	(521)	(16,498)	(18,661)
Total comprehensive income/(expense) for the year	-	-	140,435	(521)	(16,498)	123,416
Share-based compensation	-	-	580	-	-	580
Tax on share-based payment transactions	-	-	(551)	-	-	(551)
At 31 January 2018	50	144	584,752	(3,030)	(9,310)	572,606
At 1 February 2016	50	144	351,791	(40)	6,742	358,687
Profit for the year	-	-	93,022	-	-	93,022
Other comprehensive income/(expense) for the year	-	-	(1,367)	(2,469)	446	(3,390)
Total comprehensive income/(expense) for the year	-	-	91,655	(2,469)	446	89,632
Share-based compensation	-	-	808	-	-	808
Tax on share-based payment transactions	-	-	34	-	-	34
As at 31 January 2017	50	144	444,288	(2,509)	7,188	449,161

Screwfix Direct Limited

Notes to the financial statements for the year ended 31 January 2018

1 Principal accounting policies

Basis of preparation

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

The financial statements of Screwfix Direct Limited ('the Company') are for the calendar year ended 31 January 2018 ('the year' or '2017/18') and were authorised for issue by the board of directors on 26 October 2018. The comparative financial year is the calendar year ended 31 January 2017 ('the prior year' or '2016/17').

The directors of Screwfix Direct Limited, having made appropriate enquiries, consider that adequate resources exist for the Company to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis of accounting in preparing the financial statements for the year ended 31 January 2018.

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

The Company has taken advantage of disclosure exemptions under FRS 101 relating to Share-Based Payments, Financial Instruments: Disclosure, Fair Value Measurement, Presentation of Financial Statements, Statement of Cash Flows and Accounting Policies, Changes in Accounting Estimates and Errors, Related Party Disclosures, Impairment of Assets and presentation of comparatives.

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

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

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

a. Revenue recognition

Sales represent the supply of tools, fixings and equipment excluding Value Added Tax and are net of returns, trade and staff discounts. Revenue is recognised on customer collection or dispatch of goods to the customer, when the significant risks and rewards are substantially transferred.

b. Rebates

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

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

Screwfix Direct Limited

Notes to the financial statements for the year ended 31 January 2018

1 Principal accounting policies continued

c. Foreign currencies

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

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

d. Intangible assets

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

Computer software

33% straight-line

e. Property, plant and equipment

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

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

Fixtures, fittings and equipment

10 - 50% straight-line

Assets in the course of construction are not depreciated.

f. Investments in subsidiaries

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

g. Inventories

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

Screwfix Direct Limited

Notes to the financial statements for the year ended 31 January 2018

1 Principal accounting policies continued

h. Operating leases

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

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

i. Employee benefits

i. Post-employment benefits

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

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

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

For defined contribution schemes, the Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

ii. Share-based compensation

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

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

Screwfix Direct Limited

Notes to the financial statements for the year ended 31 January 2018

1 Principal accounting policies continued

ii. Share-based compensation (continued)

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.

j. Taxation

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

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

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

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

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

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

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

k. Provisions

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

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

Screwfix Direct Limited

Notes to the financial statements for the year ended 31 January 2018

1 Principal accounting policies continued

i. Financial instruments

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

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

i. Cash and cash equivalents

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

ii. Trade receivables

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

iii. Trade payables

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

iv. Derivatives and hedge accounting

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

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

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

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

m. Exceptional items

The separate reporting of exceptional items, which are presented as exceptional within their relevant income statement category, helps provide an indication of Company's ongoing business performance. The principal items which are included as exceptional items are the sale of brands to another group entity in line with the Company's ultimate parent Kingfisher plc's five year transformation plan launched in 2016/17.

Screwfix Direct Limited

Notes to the financial statements for the year ended 31 January 2018

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 period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

3 Segmental analysis

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

£'000	2017/18	2016/17
UK and Ireland	1,515,356	1,298,661
Rest of Europe	11,736	7,357
	1,527,092	1,306,018

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

4 Net finance income

£'000	2017/18	2016/17
Net interest income on defined benefit pension schemes	407	497
Interest receivable from Group undertakings	898	499
Net finance income	1,305	996

5 Other exceptional income

£'000	2017/18	2016/17
Income from sale of brands	16,471	-

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

Screwfix Direct Limited

Notes to the financial statements for the year ended 31 January 2018

6 Profit before taxation

The following items of expense have been charged in arriving at profit before taxation:

£'000	2017/18	2016/17
Operating lease rentals		
- Minimum lease payments – Property	34,795	29,345
- Minimum lease payments – Equipment	4,142	2,882
	38,937	32,227
Amortisation of other intangible assets ⁽¹⁾	3,917	5,221
Depreciation of property, plant and equipment and investment property		
- Owned assets	24,123	18,979
Inventories: write down to net realisable value	1,604	7,299
Net foreign exchange losses	890	3,093
Cost of stock recognised as an expense	850,832	721,576
Fees payable to the company's auditor		
<i>Fees payable for the audit of the Company's financial statements</i>	101	77
<i>Non audit fees payable</i>	14	12

(1) Of the amortisation of other intangible assets charge £0.075m (2016/17: £0.05m) and £3.3m (2016/17: £5.0m) are included in selling and distribution expenses and administrative expenses respectively.

Screwfix Direct Limited

Notes to the financial statements for the year ended 31 January 2018

7 Employees and directors

£'000	2017/18	2016/17
Wages and salaries	168,441	148,550
Social security costs	10,888	9,165
Post-employment benefits		
- Defined contribution	4,419	3,505
- Defined benefit (service cost only)	190	181
Share-based compensation	580	1,190
Employee benefit expenses	184,518	162,591

Number	2017/18	2016/17
Stores	9,655	8,428
Home fulfillment	504	455
Administration	638	603
Average number of persons employed	10,797	9,486

Directors' remuneration	2017/18	2016/17
Short-term employee benefits	3,119	2,708
Post-employment benefits	-	19
Share-based compensation	314	195
Directors' remuneration	3,433	2,922

The number of directors who:

Number	2017/18	2016/17
Are members of a defined contribution pension scheme	-	-
Exercised options during the period	5	5
Had awards receivable in the form of shares under long-term incentive scheme	1	1

Remuneration of the highest paid director

£'000	2017/18	2016/17
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	683	579

During the year the highest paid director exercised share options and also received shares under a long-term incentive scheme.

8 Taxation

£'000	2017/18	2016/17
UK corporation tax		
Current tax on profits for the year	29,849	25,213
Adjustments in respect of prior years	(1,012)	(249)
	28,837	24,964
Deferred tax		
Current year	371	(412)
Adjustments in respect of prior years	238	874
	609	462
Tax expense	29,446	25,426

Screwfix Direct Limited

Notes to the financial statements for the year ended 31 January 2018

8 Taxation continued

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% (2016/17: 20%). The differences are explained below:

£'000	2017/18	2016/17
Profit before taxation	171,523	118,448
Profit multiplied by standard rate of corporation tax in the UK of 19% (2016/17: 20%)	32,589	23,690
Net expenses not deductible for tax purposes	(2,369)	1,111
Adjustments in respect of prior years	(774)	625
Tax expense	29,446	25,426

The UK corporation tax rate decreased from 20% to 19% with effect from 1 April 2017, and has been legislated to fall again to 17% from 1 April 2020. Accordingly, the company's profits for this accounting period are taxed at a rate of 19% (2016/17: 20%).

9 Dividends

No dividends were paid during the year (2016/17: £nil).

10 Intangible assets

£'000	Computer software	Assets in construction	Total
Cost			
At 1 February 2017	47,184	1,363	48,547
Additions	-	14	14
Disposals	(12,498)	-	(12,498)
Intra-group transfer	-	(63)	(63)
Transfers	1,314	(1,314)	-
Exchange differences	308	-	308
At 31 January 2018	36,308	-	36,308
Amortisation			
At 1 February 2017	(41,582)	-	(41,582)
Charge for the year	(3,917)	-	(3,917)
Disposals	12,498	-	12,498
Exchange differences	(288)	-	(288)
At 31 January 2018	(33,289)	-	(33,289)
Net carrying amount			
At 31 January 2018	3,019	-	3,019

Screwfix Direct Limited

Notes to the financial statements for the year ended 31 January 2018

11 Property, plant and equipment

£'000	Fixtures, fittings and equipment	Assets in construction	Total
Cost			
At 1 February 2017	239,680	11,254	250,934
Additions	-	41,138	41,138
Disposals	(3,073)	-	(3,073)
Intra-group disposal	-	(109)	(109)
Transfers	41,693	(41,693)	-
Exchange differences	(22)	-	(22)
At 31 January 2018	278,278	10,590	288,868
Depreciation			
At 1 February 2017	(137,827)	-	(137,827)
Charge for the year	(24,123)	-	(24,123)
Disposals	3,073	-	3,073
Exchange differences	(1)	-	(1)
At 31 January 2018	(158,878)	-	(158,878)
Net carrying amount			
At 31 January 2018	119,400	10,590	129,990

12 Investments

At 31 January 2018 the company held investments in each of the following subsidiaries that were all incorporated in the United Kingdom and are dormant. In all subsidiaries, 100% of the Ordinary shares of that entity are held.

DIY Express Limited	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 Powertools (UK) Limited
Moretti (UK) Limited	Watersmith UK Limited
No Nonsense Limited	

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

The aggregate value at which the above investments are held is £nil (2016/17: £nil).

13 Inventories

£'000	2017/18	2016/17
Finished goods for resale	309,534	266,120

The cost of inventories recognised as an expense and included in cost of sales for the year ended 31 January 2018 is £850.8m (2016/17: £721.6m).

Screwfix Direct Limited

Notes to the financial statements for the year ended 31 January 2018

14 Trade and other receivables

£'000	2017/18	2016/17
Current		
Trade receivables	42,000	45,279
Provision for bad and doubtful debts	(1,584)	(1,579)
Net trade receivables	40,416	43,700
Amounts owed by Group undertakings	434,481	292,883
Prepayments	9,727	10,132
Other receivables	4,799	5,894
Trade and other receivables	489,423	352,610

Amounts owed by Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15 Trade and other payables

£'000	2017/18	2016/17
Current		
Trade payables	106,350	87,157
Amounts owed to Group undertakings	65,876	47,418
Other taxation and social security	19,955	12,683
Accruals and other payables	162,148	156,417
Trade and other payables	354,329	303,675

Amounts owed to Group undertakings are unsecured, interest free, have no fixed date of payment and are repayable on demand.

16 Derivatives

£'000	2017/18	2016/17
Foreign exchange contracts	59	10,195
Derivative assets	59	10,195
Foreign exchange contracts	(11,553)	(1,209)
Derivative liabilities	(11,553)	(1,209)

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 2018 the amount of such contracts is £180.6m (2016/17: £183.6m). The associated fair value gains and losses will be transferred to inventories when the purchases occur during the next 12 months. Gains of £2.4m (2016/17: £23.7m gain) have been transferred to inventories for contracts which matured during the year.

Screwfix Direct Limited

Notes to the financial statements for the year ended 31 January 2018

17 Deferred tax

£'000	2017/18	2016/17
Deferred tax assets	3,510	2,487
Deferred tax liabilities	(4,243)	(6,344)
	(733)	(3,857)

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

£'000	Accelerated tax depreciation	Provisions	Post- employment benefits	Other	Total
At 1 February 2017	1,318	1,169	(4,547)	(1,797)	(3,857)
(Charge) to profit and loss	(945)				(945)
Credit to other comprehensive income		336	303	3,981	4,620
(Charge) direct to equity		(551)			(551)
At 31 January 2018	373	954	(4,244)	2,184	(733)
At 1 February 2016	1,673	1,218	(4,684)	(1,727)	(3,520)
(Charge) to profit and loss	(355)	(15)	-	(94)	(464)
Credit to other comprehensive income	-	-	137	24	161
(Charge) direct to equity	-	(34)	-	-	(34)
As at 31 January 2017	1,318	1,169	(4,547)	(1,797)	(3,857)

At the balance sheet date, the Company has unused tax losses of £nil (2016/17: £nil) available for offset against future profits.

18 Post-employment benefits

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

Defined contribution schemes

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

£'000	2017/18	2016/17
Charge to operating profit	4,419	3,505

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.

Defined benefit schemes

The Company is one of a number of Group companies that participate in the Kingfisher Pension Scheme, and therefore the Company has accounted for its share of the scheme assets and liabilities. The valuation of the scheme has been based on the most recent actuarial valuation as at 31 March 2016 and has been updated to 31 January 2018.

The Company's share of the net defined benefit cost is allocated in accordance with its share of the contractually agreed contributions. The estimated amount of contributions expected to be paid to the pension scheme by the company during the next financial year is £1.1m (2016/17: £1.1m). The final salary pension scheme was closed to future benefit accrual with effect from July 2012.

Screwfix Direct Limited

Notes to the financial statements for the year ended 31 January 2018

18 Post-employment benefits continued

Defined benefit schemes continued

The Trust Deed provides Kingfisher with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business the Trustees 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 are given in note 26 of the consolidated financial statements of Kingfisher plc, the Company's ultimate parent. The reported pension position reflects the Company's share of the resulting scheme asset.

Profit and Loss Account

£'000	2017/18	2016/17
Operating cost	190	181
Net interest income	(408)	(497)
Total credited to profit and loss account	(218)	(316)

Balance Sheet

£'000	2017/18	2016/17
Present value of defined benefit obligation	(90,669)	(90,581)
Fair value of scheme assets	102,795	103,574
Net surplus in scheme	12,126	12,993

19 Reserves

	Number of ordinary share thousands	Ordinary share capital £'000
At 1 February 2017 and 31 January 2018	4,642	50

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 shares, C shares and D shares shall confer on the holder of it the right to one vote per share at any general meeting of the company.

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

Screwfix Direct Limited

Notes to the financial statements for the year ended 31 January 2018

20 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 £3.20 (2016/17: £3.53). The options outstanding at the end of the year have exercise prices ranging from nil to £3.15 and a weighted average remaining contractual life of 6.1 years (2016/17: 6.1 years).

The company recognised a total expense of £0.6m in the year ended 31 January 2018 (2016/17: £1.2m) relating to equity-settled share-based payment transactions.

21 Commitments

Operating lease commitments

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

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

	2017/18	2016/17
Less than one year	40,753	32,755
One to five years	139,093	112,059
More than five years	133,802	117,173
	313,648	261,987

Capital commitments

Capital commitments contracted but not provided for by the Company amount to £4.3m (2016/17: £4.9m).

Screwfix Direct Limited

Notes to the financial statements for the year ended 31 January 2018

22 Ultimate controlling party

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

The ultimate parent company and controlling party is Kingfisher plc, a company registered in England and Wales. Kingfisher plc is the parent of the largest and smallest group containing 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, Kingfisher plc, 3 Sheldon Square, Paddington, London, W2 6PX.

23 Related party transactions

In accordance with FRS 101 (Financial Reporting Standard 101), the company is exempt from disclosing transactions with entities that are part of the Group, provided all subsidiaries party to the arrangement are wholly-owned by the Group.