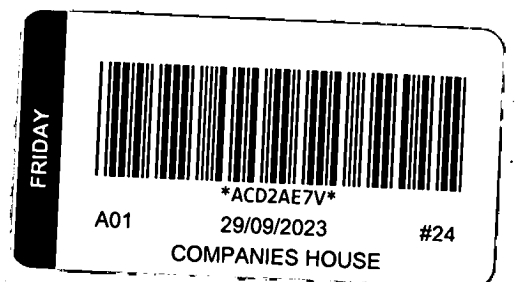


# B&Q Limited

## Annual Report and Financial Statements

for the year ended 31 January 2023

Registered number: 00973387



# B&Q Limited

## Strategic report

for the year ended 31 January 2023

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The directors present their strategic report on B&Q Limited (the 'Company') for the year ended 31 January 2023.

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

### Principal Activity

The principal activity of the Company is the retailing of home improvement products and related home improvement services in the United Kingdom.

### Results and Dividends

The profit before taxation amounted to £138.9m (2022: £300.3m) and profit after taxation amounted to £111.5m (2022: £245.8m). A dividend of £nil has been declared and paid in respect of the period (2022: £nil). The directors do not propose any further dividend be paid.

In the period, included within the profit before tax was a net £33.3m exceptional charge (2022: £0.4m exceptional credit) in relation to the impairment review of our assets. Further details are contained within note 6 to the financial statements. Excluding the charge (2022: credit) from the period's performance would see the reported profit before tax of £138.9m (2022: profit before tax of £300.3m) move to a profit before tax and exceptional items of £172.2m (2022: profit of £299.9m).

### Business review and future developments

B&Q total sales decreased by 8.4% to £3,709m against very strong prior year comparatives. Sales for the year were up 16.6% vs 2020 (pre-Covid) with good growth across all categories on a 3-year basis.

B&Q opened five small format stores in FY 22/23, including its first two B&Q Local compact format stores, and closed one store. Following year end, B&Q announced it is terminating the trial of its 'grocery concession' partnership with ASDA in eight stores.

The net asset position of the Company at 31 January 2023 was £2,464.5m (2022: £2,525.0m).

Working alongside the ultimate parent entity, Kingfisher plc (the 'Group' or 'Kingfisher'), the Company introduced a strategic plan, 'Powered by Kingfisher' in June 2020. The strategy rebalances local and Group responsibilities, and enables us to deliver on our purpose of helping to make better homes accessible for everyone, while addressing the many profitable growth opportunities we see in the home improvement market. Further details on the strategy are included in pages 6 - 8 of the Kingfisher annual report.

We are well positioned to navigate FY23/24 and are targeting further market share growth. We are committed to active and responsive management of operating costs to partially offset higher staff, technology and energy costs.

# B&Q Limited

## Strategic report (continued)

for the year ended 31 January 2023

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### Key performance indicators

considered in the sections above. Performance during the period together with historical trend data is set out in the table below:

	2023	2022	2021	2020	2019
Sales growth/(decline)	(8.4)%	12.7%	13.0%	(3.2)%	(2.9)%
Adjusted PBIT**	£139.4m	£278.0m	£182.5m	£55.0m	£83.6m
Sales per sq. m	£1,733	£1,882	£1,669	£1,485	£1,530

The directors have adopted various Alternative Performance Measures (APMs) above, also termed non-GAAP measures, of historical or future financial performance, position or cash flows other than those defined or specified under FRS 102. These measures are not defined by FRS 102 and therefore may not be directly comparable with other companies' APMs, including those used by other retailers. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, FRS 102 measurements.

\* LFL stands for like-for-like sales growth representing constant currency, year on year sales growth for stores open more than a year. This measure is used widely in the retail industry as an indicator of sales performance on a comparable basis.

\*\* Adjusted PBIT is profit on activities before interest and taxation (PBIT) after excluding the impact of exceptional items.

### Section 172(1) and stakeholder engagement statement

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

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

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

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

# B&Q Limited

## Strategic report (continued)

for the year ended 31 January 2023

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

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

#### Customers

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

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

Customer feedback has been crucial in the year when testing new and improved customer journeys through the business.

#### Colleagues

An effective people strategy and strong culture are essential for the effective delivery of our strategy and ultimately our performance. Being able to attract, retain, and develop diverse talent is one important part of fostering a stronger, more inclusive culture, as is incorporating the views of colleagues into decisions and being able to accurately assess the impact of those decisions.

The Board has a programme of site visits and regular briefings to allow it to assess the behaviour and culture of the business and receives regular updates on the Company's people strategy.

For example, throughout the year the Board receives updates such as the Whistleblowing report, regular Board updates on important matters affecting the workforce, and analysis from the results of the colleague engagement

The Company's colleague forum (The B&Q People's Forum) met with the board four times during 2022/23 where ordinarily its meetings are held twice a year. In addition, the Company has an Inclusivity Action Plan and Inclusion and Diversity (I&D) Affinity Groups. This, alongside the colleague engagement tool implemented in 2018, has provided an opportunity for the views of colleagues to be regularly discussed and heard by the Board on a range of issues. In light of the rising cost of living, the Board reviewed workforce pay proposals in September 2022 and January 2023.

#### Suppliers

To build and maintain trusted partnerships with our suppliers is critical to meeting customer needs and instrumental to the success of the business.

The Board receives frequent reporting from the business areas which interact daily with our vendors. The Board considers the impact to suppliers when making key strategic decisions relating to product ranges or supply and logistics.

Throughout the year the Company has engaged with suppliers to minimise supply chain impacts. The Company reports its payment practices under the UK Government's Duty to Report Requirements.

#### Communities & Non-governmental organisations (NGOs)

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

It is important to us that we meet growing expectations on companies to undertake strong environmental, social and governance action and are committed to having a positive impact on the lives of our customers, colleagues and communities.

As part of the Kingfisher Group, the Company aims to help customers have more sustainable homes. The Company sells a number of energy/water/heat efficient products like lighting, taps and low VOC paint. The company has fully moved to peat-free compost, and has initiatives in place to integrate recycled plastic into our products, and increase longevity of some hand-tool ranges.

# **B&Q Limited**

## **Strategic report (continued)**

**for the year ended 31 January 2023**

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

#### **Communities & Non-governmental organisations (NGOs) (continued)**

The Kingfisher Group is committed to specific environment based targets to be achieved by 2025-26. This includes using responsibly-sourced wood/paper products, becoming forest positive and achieving a new science-based emissions target for carbon reduction to support limiting global temperature increases to 1.5 degrees. As well as reporting good progress on these targets, the Group has published a five point road map to reduce operational emissions to net zero.

The Company has a charity partnership with the B&Q Foundation, an independent charity, helping to create better, safer places for people within our communities, as well as with Shelter, a charity tackling poor housing and homelessness.

The Board assesses the impact of the Company's operations on communities by incorporating ESG (economic, social governance) targets within the Company's remuneration packages and bonus scheme.

For further details on our work towards responsible business, see pages 23 - 26 of the Kingfisher annual report.

#### **Regulators & Government**

The Board, in coordination with Kingfisher Group, engages with our regulators, government stakeholders and political representatives when required.

We value the trust of our stakeholders to fully realise our purpose, provide employment opportunities, and contribute to the economic prosperity of the places where our people live and work.

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

In 2022 we have engaged on key policies, including UK business rates reform to achieve parity with online only retailers and the cost of energy to enhance support for domestic energy efficiency;

#### **Shareholders**

Since the Company is a wholly owned subsidiary of Kingfisher Investissements SAS, a company incorporated in France (itself a wholly owned subsidiary belonging to the Kingfisher Group), all transactions are made with the best interest of the group companies in mind.

# **B&Q Limited**

## **Strategic report (continued)**

**for the year ended 31 January 2023**

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### **Principal risks and uncertainties**

The key business risks and uncertainties affecting the Company relate to volatility in ongoing market conditions, competition and UK consumer confidence given recent challenges from increased interest rates and inflation. The Company's aim is to differentiate ourselves from competitors by leveraging in-depth knowledge of the customers' lives, homes, improvement projects and style preference.

The Company has been preparing for the new EU-UK trading relationship since the outcome of the UK Brexit referendum in 2016. Since the new Trade and Cooperation Agreement (TCA) came into force on 1 January 2021, we have been working to ensure we comply with the new requirements. We had taken several measures since 2016 to mitigate delays at the border as far as possible in advance of the new trading relationship, and continue to engage with our vendors to provide support on the new requirements where needed. Our teams are also continuing to work through the new requirements of the TCA and to limit the risk of delays wherever possible – for example, by introducing new IT and process changes. While we have experienced some relatively minor issues in exporting products to the Republic of Ireland due to overall market challenges, we are not experiencing any material challenges to our EU-UK flows to date. On tariffs, the direct impact resulting from rules of origin requirements are broadly neutral in comparison with our pre-Brexit position.

The other types of risks identified include external factors (such as competition, environment and regulation), systems and infrastructure, health and safety, employee risk, GDPR and the impact of contagious diseases.

The management of certain risks such as climate change, 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 on pages 51 - 58 of the Kingfisher annual report.

### **Economic risk**

The biggest economic risks facing the Company are weaker GDP growth in the UK, economic uncertainty and social unrest, higher wage inflations (e.g. UK National Living Wage c.6.5% pa), significant cost inflation and uncertainty post Covid-19. All these factors are under regular control and part of the decision making process.

We have faced some disruption to our supply chain since the UK officially left the EU, with the largest impact on product moving from the UK to the Republic of Ireland. There has been limited disruption in the main flow of imports from the EU to the UK. The overall impact on the Company is therefore manageable. We expect that the initial issues around processes and systems interfaces that have affected the flow to the Republic of Ireland to be resolved over time, which should further improve the situation.

Following the COVID-19 pandemic and global disruption to ports and shipping, the business did experience some delays in stock arriving in the country. This supply chain disruption was compounded by the increased customer demand following the pandemic which lead to some availability challenges during the year.

These conditions also present economic uncertainty impacting UK consumer confidence. For further details of risk mitigation, please refer to page 56 of the Kingfisher annual report.

### **Risk of adapting to consumer trends**

The Company operates in an increasingly sophisticated and changing market. Customers are increasingly using the internet more interactively, not just to make purchases, but also to seek inspiration and ideas for their homes.

The ability to offer our customers a full and compelling omni-channel offering in terms of products, ideas, delivery options and innovations is becoming increasingly important and there is a risk that we fail to capitalise on the continued growth of the internet and invest in omni-channel technologies. We are managing the risk by performing regular market research.

# B&Q Limited

## Strategic report (continued)

for the year ended 31 January 2023

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### Risk of adapting to consumer trends (continued)

Improving the Company's omni-channel offer forms a core component of how it will develop its customer proposition and the Company is investing to ensure it fully exploits not only its omni-channel capabilities, but also to ensure that it stays at the forefront of how to connect and engage with its customers through social media.

We will continue to monitor customer trends and focus on a mobile first experience to develop an attractive proposition for customers.

The Company continues to face pressure on pricing from competitors in the market, and inability to manage this risk could result in a loss of market share. We are managing this risk by building a strong customer journey including end to end project planning and ensuring robust supplier management processes are in place.

### Systems and infrastructure risk

The Company's continued investment in delivering new and innovative products and solutions to its customers will continue to place increasing demands on our existing systems infrastructure. There is a risk that our infrastructure will lack the necessary scalability, flexibility and resilience to support its successful execution.

The Company has a programme to ensure that it focuses its information technology resources on both maintaining or extending the useful lives of its existing technologies and developing solutions that support revenue generative opportunities and productivity initiatives. Where possible, the Company is also seeking to eliminate complex or heavily bespoke technologies to reduce our running costs and to simplify processes.

### Health and safety risk

There is a risk that repeated health and safety failures could result in a major incident that is directly attributable to either a systematic or institutionalised failure in our health and safety management systems. This would result in damage to our reputation through adverse publicity, prosecution and censure. The Board is committed to creating and sustaining a safe environment for both our employees and customers, and regularly reviews and challenges health and safety performance, standards and targets across our businesses.

The Company designates a director with specific responsibility for health and safety. This person is then responsible for ensuring that a written health and safety policy is communicated to all employees, that appropriate health and safety arrangements are in place to protect our employees and customers and that we comply with local regulatory requirements.

The health and safety of our colleagues and customers has remained our top priority.

### Employee risk

Retail is a people business and there is a risk that, given economic pressures, we fail to maintain the necessary investment in our people to ensure that we have the appropriate calibre of staff for specific roles; and that skills and experiences are deployed in the best interests of the individual and the Company.

The Company continues to invest in our people and is committed to ensuring that its people are given opportunities to develop themselves to the benefit of the organisation and its customers. This is done through a wide range of development opportunities ranging from store-based training programmes, supported by the delivery of nationally accredited and recognised qualifications and apprenticeship schemes to e-learning programmes.

The Company remains committed to the ongoing assessment and measurement of its people's engagement with the business, with employee satisfaction surveys completed across the business.

# **B&Q Limited**

## **Strategic report (continued)**

**for the year ended 31 January 2023**

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### **Employee risk (continued)**

The Company has a partnership with the Retail Trust, offering health and wellbeing support to members, including emotional support, physical and mental wellbeing, career development advice and support with financial health.

The Company also has a renewed focus on the mental health and wellbeing of employees including a new e-learning programme dedicated to this.

### **Financial risk management objectives and policies**

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

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

### **Foreign currency risk**

The Company is exposed to foreign currency risk on its purchase of inventories denominated in foreign currencies, principally US Dollars. The risk is hedged using forward foreign exchange contracts. In line with the Kingfisher Group policy, such derivatives match a portion of the Company's committed and forecast inventory purchases in the next eighteen months, and is monitored on an ongoing basis.

### **Interest rate risk**

Interest rate risk arises from intercompany balances that bear interest 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**

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

The Company's exposure to credit risk at the reporting date is the carrying value of trade and other receivables, cash at bank, short-term deposits and the fair value of derivative assets. Trade and other receivables mainly relate to trade receivables and rebates which comprise low individual balances with short maturity spread across a large number of unrelated customers and suppliers, resulting in low credit risk levels.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

# B&Q Limited

## Strategic report (continued)

for the year ended 31 January 2023

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### Liquidity risk

The Company, along with Kingfisher plc, regularly reviews the level of cash and debt facilities required to fund its activities. This involves preparing a prudent cash flow forecast on a 13 week basis, determining the level of debt facilities required to fund the business, planning for repayment of debt at its maturity and identifying headroom to provide a reserve against unexpected outflows.

### Events after the balance sheet date

There are no significant events after the balance sheet date.

### Approval

Approved by the Board and signed on its behalf by:



**G Bell**  
Director

Date: 18 September 2023

# B&Q Limited

## Directors' report

for the year ended 31 January 2023

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The directors present their annual report and audited financial statements for the financial year ended 31 January 2023.

The following disclosures have been included within the strategic report on pages 1 to 8 and form part of this report by cross-reference:

Proposed dividends  
Financial risk management objectives and policies  
Future developments and events after the balance sheet date

As a subsidiary we are not required to provide carbon and energy reporting, this information is included within the group accounts of Kingfisher PLC on pages 27- 35.

### Directors

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

G Bell  
G Bryant  
C Barry

### 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

# B&Q Limited

## Directors' report (continued)

for the year ended 31 January 2023

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### Going concern

In assessing the going concern basis of preparing the financial statements, the directors considered the Company's business activities, financial position and financial risk management objectives and policies. The Company achieved a profit after tax of £111.5m (2022: £245.8m) and had a year end net asset position of £2,464.5m (2022: £2,525.0m). The current asset position at year end totalled £1,356.3m (2022: £1,316.3m). The Company's forecasts and projections, taking account of reasonably possible changes in trading performance and the economic challenges from increased inflation and interest rates, and considering the treasury arrangements and cash flows between the entity and the Kingfisher group, show that the Company should be able to operate with continued profitability and without additional external financial support or borrowings, for at least twelve months from the date of approval of the financial statements.

As a result, 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 accounting policies note to the financial statements:

### Statement on Corporate Governance Arrangements

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

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

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

The Company confirmed its full compliance with all Principles set out in the Policy in respect of the 2022/23 financial year. Please see pages 55 - 69 of the Kingfisher annual report to see a summary of the Group corporate governance statement.

### Statement on business relationships and employee engagement

Please see section 172(1) statement on pages 2 - 4.

# B&Q Limited

## Directors' report (continued)

for the year ended 31 January 2023

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### Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate adjustments are 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.

### Employee consultation

The Company continues to develop a policy of direct and systematic communication on all relevant matters including the Company's business performance and current market issues with employees.

The Company operates an employee forum. The B&Q People's Forum is made up of a network of elected employees across the UK and Ireland. This forum aims to give our people across the business the opportunity to input, influence and shape our direction and to share aspirations and ideas. The B&Q People's Forum is based on the core belief that involving and listening to our own people will make our business more successful.

Furthermore, the ultimate parent company operates a savings related share option scheme for employees at all levels.

### 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 and will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the Company receives notice under section 488(1) of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



**G Bell**  
Director

Date: 18 September 2023

# B&Q Limited

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

for the year ended 31 January 2023

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### Report on the audit of the financial statements

#### Opinion

In our opinion the financial statements of B&Q Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 January 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of changes in equity;
- the balance sheet; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

#### Basis for opinion

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

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

#### Conclusions relating to going concern

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

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

- a detailed assessment and analysis of the three year plan including analysing key assumptions used in the forecasts;
- performing and evaluating sensitivity analysis in respect of these key assumptions;
- understanding the interaction between the ongoing cash flow generation and requirements of the Company and the broader group financing arrangements including cash pooling;
- considering the wider going concern position of the Kingfisher group and the disclosures made in the recent financial reporting issued by Kingfisher group; and
- reviewing the associated disclosures in the financial statements.

# **B&Q Limited**

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

**for the year ended 31 January 2023**

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### **Conclusions relating to going concern (continued)**

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# B&Q Limited

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

for the year ended 31 January 2023

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

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

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

We obtained an understanding of the legal and regulatory 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 UK Companies Act, pensions legislation, 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 or non-compliance with laws and regulations in the following areas, and our procedures performed to address them are described below:

- Inventory valuation
  - we obtained an understanding of the relevant controls, which included a review of the inventory provision by members of the finance;
  - we assessed the inventory provisioning policy, with specific consideration of its ongoing appropriateness in light of changes in the business and the macroeconomic environment, the risk profile of inventory and consideration of any expected clearance activity;
  - we assessed the existence and condition of inventory by attending a sample of inventory counts throughout the year;
  - we checked the value of a sample of inventory to assess whether it is held at the lower of cost and net realisable value, through comparison to vendor invoices and current sales prices; and
  - in addressing the fraud risk, we re-calculated the provisions recorded to evaluate whether they are in line with group policy and IAS 2. This was done in conjunction with our IT specialists.
- Impairment of assets
  - we obtained an understanding of the relevant controls in respect of the impairment review process;
  - we obtained and tested the mathematical accuracy of the impairment model;
  - in addressing the fraud risk associated with these cash flow forecasts we challenged the key inputs into the value in use computation, namely forecast sales growth and margin by evaluating both past performance, our understanding of the planned strategic initiatives, benchmarking against external information and the rationale for future assumptions. We also assessed the level of past store performance to assess whether assumptions applied were appropriate at the store level;
  - we evaluated the discount rate and long-term growth rates applied by management against external economic data with the involvement of our valuation specialists;
  - we considered the structure of the business and recent changes in group strategy to evaluate the identification and allocation of central overheads into store impairment models;
  - we agreed the vacant possession value of freehold property to third party valuation reports and assessed the inputs and valuation methodology applied by involving our real estate specialists; and
  - we assessed the appropriateness of the financial statements disclosures made.

# **B&Q Limited**

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

**for the year ended 31 January 2023**

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

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

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and 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 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.

# B&Q Limited

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

for the year ended 31 January 2023

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### Use of our report

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



Stephen Turner FCA (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

Date: 18 September 2023

# B&Q Limited

## Income statement

for the year ended 31 January 2023

£'m	Notes	2023		2022				
		Before exceptional items	Exceptional items (note 6)	Before exceptional items	Exceptional items (note 6)			
<b>Sales</b>	4	<b>3,709.5</b>	-	<b>3,709.5</b>	-	4,050.6	-	4,050.6
Cost of sales		(2,260.0)	-	(2,260.0)	-	(2,443.1)	-	(2,443.1)
<b>Gross profit</b>		<b>1,449.5</b>	-	<b>1,449.5</b>	-	1,607.5	-	1,607.5
Selling and distribution expenses		(1,092.9)	(33.3)	(1,126.2)	(33.3)	(1,110.5)	0.1	(1,110.4)
Administrative expenses		(233.4)	-	(233.4)	-	(233.9)	0.3	(233.6)
Other income	5	16.2	-	16.2	-	14.9	-	14.9
<b>Operating profit</b>		<b>139.4</b>	<b>(33.3)</b>	<b>106.1</b>	<b>(33.3)</b>	278.0	0.4	278.4
Finance costs	7	-	-	-	-	(1.2)	-	(1.2)
Finance income	7	33.7	-	33.7	-	23.1	-	23.1
Net finance income		33.7	-	33.7	-	21.9	-	21.9
<b>Profit before taxation</b>		<b>173.1</b>	<b>(33.3)</b>	<b>139.8</b>	<b>(33.3)</b>	299.9	0.4	300.3
Income tax expense	10	(34.7)	7.1	(27.6)	7.1	(54.7)	0.2	(54.5)
<b>Profit for the year</b>		<b>138.4</b>	<b>(26.2)</b>	<b>112.2</b>	<b>(26.2)</b>	245.2	0.6	245.8

All of the above transactions relate to continuing operations.

# B&Q Limited

## Statement of comprehensive income

for the year ended 31 January 2023

£'m	Notes	2023	2022
<b>Profit for the year</b>		<b>112.2</b>	<b>245.8</b>
Actuarial (losses)/gains on post-employment benefits	21	(325.6)	8.4
Return on post-employment benefit plan assets excluding interest income	21	-	-
Receivable related to Kingfisher Pension Scheme	15	48.7	-
Tax on items that will not be reclassified		112.2	(4.8)
<b>Total items that will not be reclassified subsequently to profit or loss</b>		<b>(164.8)</b>	<b>3.6</b>
Cash flow hedges			
Fair value gains		12.3	6.9
(Losses)/gains transferred to inventories		(21.6)	11.4
Tax on items that may be reclassified		2.0	(3.5)
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>(7.3)</b>	<b>14.8</b>
<b>Other comprehensive (expenses)/income for the year</b>		<b>(172.1)</b>	<b>18.4</b>
<b>Total comprehensive (expenses)/income for the year</b>		<b>(59.9)</b>	<b>264.2</b>

# B&Q Limited

## Statement of changes in equity

As at 31 January 2023

£'m	Attributable to equity shareholders of the Company					Total
	Share capital	Share premium	Retained earnings	Translation reserve	Cash flow hedge reserve	
<b>At 1 February 2022</b>	<b>680.7</b>	<b>1,333.8</b>	<b>503.4</b>	<b>3.3</b>	<b>3.8</b>	<b>2,525.0</b>
Profit for the year	-	-	112.2	-	-	112.2
Other comprehensive (loss)/income for the year	-	-	(164.8)	-	(7.3)	(172.1)
<b>Total comprehensive (loss)/income for the year</b>	-	-	<b>(52.6)</b>	-	<b>(7.3)</b>	<b>(59.9)</b>
Share-based compensation (note 23)	-	-	(0.9)	-	-	(0.9)
Tax on share-based payment transactions	-	-	0.2	-	-	0.2
<b>At 31 January 2023</b>	<b>680.7</b>	<b>1,333.8</b>	<b>450.2</b>	<b>3.3</b>	<b>(3.5)</b>	<b>2,464.5</b>
At 1 February 2021	680.7	1,333.8	254.0	3.3	(11.0)	2,260.8
Profit for the year	-	-	245.8	-	-	245.8
Other comprehensive (loss)/income for the year	-	-	3.6	-	14.8	18.4
<b>Total comprehensive (loss)/income for the year</b>	-	-	<b>249.4</b>	-	<b>14.8</b>	<b>264.2</b>
Share-based compensation	-	-	-	-	-	-
Tax on share-based payment transactions	-	-	-	-	-	-
<b>At 31 January 2022</b>	<b>680.7</b>	<b>1,333.8</b>	<b>503.4</b>	<b>3.3</b>	<b>3.8</b>	<b>2,525.0</b>

# B&Q Limited

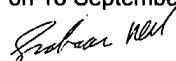
## Balance sheet

As at 31 January 2023

£'m	Notes	2023	2022
<b>Non-current assets</b>			
Property, plant and equipment	12	356.6	342.6
Investments	13	-	-
Post-employment benefits	21	296.3	610.7
Deferred tax assets	19	2.5	11.5
Trade and other receivables	15	1,389.0	1,352.0
		<b>2,044.4</b>	<b>2,316.8</b>
<b>Current assets</b>			
Inventories	14	698.3	641.8
Trade and other receivables	15	643.9	639.1
Derivative assets	18	5.1	6.2
Cash and cash equivalents		9.0	29.2
		<b>1,356.3</b>	<b>1,316.3</b>
<b>Total assets</b>		<b>3,400.7</b>	<b>3,633.1</b>
<b>Current liabilities</b>			
Trade and other payables	16	(693.3)	(766.0)
Borrowings	17	(4.8)	(4.8)
Derivative liabilities	18	(8.1)	(1.3)
Current tax liabilities		(25.7)	(31.5)
Provisions	20	(6.0)	(3.7)
		<b>(737.9)</b>	<b>(807.3)</b>
<b>Non-current liabilities</b>			
Other payables	16	(75.0)	(62.8)
Borrowings	17	(7.5)	(11.9)
Derivative liabilities	18	(1.5)	(0.1)
Deferred tax liabilities	19	(107.8)	(218.8)
Provisions	20	(6.5)	(7.2)
		<b>(198.3)</b>	<b>(300.8)</b>
<b>Total liabilities</b>		<b>(936.2)</b>	<b>(1,108.1)</b>
<b>Net assets</b>		<b>2,464.5</b>	<b>2,525.0</b>
<b>Equity</b>			
Share capital	22	680.7	680.7
Share premium		1,333.8	1,333.8
Retained earnings		450.2	503.4
Translation reserve		3.3	3.3
Cash flow hedge reserve		(3.5)	3.8
<b>Total equity</b>		<b>2,464.5</b>	<b>2,525.0</b>

The notes on pages 21 to 46 form part of these financial statements.

The financial statements of B&Q Limited (Registered Number 00973387) were approved by the Board of Directors on 18 September 2023 and signed on its behalf by:



**G Bell**  
Director

# B&Q Limited

## Notes to the financial statements

for the year ended 31 January 2023

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### 1 General information

B&Q Limited (the 'Company') is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is B&Q House, Chestnut Avenue, Chandlers Ford, Eastleigh, Hampshire, United Kingdom, SO53 3LE. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 1 to 8.

### 2 Significant accounting policies

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. 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 financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The Company has applied the amendments to FRS 102 issued by the FRC in December 2017 with effect from 1 January 2019.

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, which are publicly available.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in these separate Company financial statements in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

#### b. Going Concern

In assessing the going concern basis of preparing the financial statements, the directors considered the Company's business activities, financial position and financial risk management objectives and policies. The Company achieved a profit after tax of £111.5m (2022: £245.8m) and had a year end net asset position of £2,464.5m (2022: £2,525.0m). The current asset position at year end totalled £1,356.3m (2022: £1,316.3m). The Company's forecasts and projections, taking account of reasonably possible changes in trading performance and the economic challenges from increased inflation and interest rates, and considering the treasury arrangements and cash flows between the entity and the Kingfisher group, show that the Company should be able to operate with continued profitability and without additional financial support or borrowings, for at least twelve months from the date of approval of the financial statements.

As a result, the company continues to adopt the going concern basis in preparing the financial statements.

#### c. Revenue recognition

Sales represent the supply of home improvement products and services. Sales exclude Value Added Tax, other sales-related taxes and are net of returns, trade and staff discounts.

# B&Q Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2023

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### 2 Significant accounting policies (continued)

#### c. Revenue recognition (continued)

Revenue is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue relating to sales of in-store products is generally recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the product and on cash receipt. Where customers have a right to return purchased goods in exchange for a refund, a liability for returns is recognised within other payables and is based on historic trends and offset against revenue and cost of sales in the period in which the sale was made. Where award credits such as vouchers or loyalty points are provided as part of the sales transaction, the amount allocated to the credits is deferred and recognised when the credits are redeemed and the Company fulfils its obligations to supply the awards.

For delivered products and services, sales are recognised either when the product has been delivered or when the service has been performed.

Other income is generally composed primarily of external rental income and profits and losses on disposal of assets. 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 capitalised and then depreciated on a straight line basis over the lease term.

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### d. Rebates

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

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

#### e. Dividends

Interim dividends are recognised when they are paid to the Company's shareholders. Final dividends are recognised when they are approved by the Company's shareholders.

#### f. Foreign currencies

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

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange at the balance sheet date. Exchange differences on monetary items are taken to the income statement.

# B&Q Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2023

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### 2 Significant accounting policies (continued)

#### g. Investments

Investments in subsidiaries are included in the balance sheet at cost, plus any fair value gains or less any provisions for impairment.

#### h. Property, plant and equipment

##### (i) Cost

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

Long leasehold buildings	–	over remaining useful life
Short leasehold land and buildings	–	over remaining period of the lease
Fixtures and fittings	–	between 4 and 25 years

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) Assets under construction

Assets in the course of construction are held within property, plant and equipment until they become ready for use. At this point, they are transferred in to use and depreciated over the useful life.

##### (iv) Borrowing costs for assets under construction

Borrowing costs which are directly attributable to the construction of property, plant and equipment are capitalised as part of the cost of those assets. Capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

##### (v) Impairment

Property, plant and equipment 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 Company'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.

##### (vi) 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.

##### (vii) Subsequent costs

Subsequent costs are included in the related asset's carrying amount or recognised as a separate asset, only when it's probable future economic benefits associated will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement in the period in which they are incurred.

# B&Q Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2023.

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### 2 Significant accounting policies (continued)

#### i. Leased assets

Where assets are financed by leasing agreements which give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the lower of the fair value or the present value of the minimum lease payments during the lease term at the inception of the lease. The assets are depreciated over the shorter of the lease term or their useful life. Obligations relating to finance leases, net of finance charges in respect of future periods, are included, as appropriate, under borrowings due within or after one year. The finance charge element of rentals is charged to finance costs in the income statement over the lease term.

All other leases are operating leases and the rental payments are generally charged to the income statement in the period to which the payments relate, except for those leases which incorporate fixed minimum rental uplift clauses. Leases which contain fixed minimum rental uplifts are charged to the income statement on a straight line basis over the lease term.

Incentives received or paid to enter into lease agreements are released to the income statement on a straight line basis over the lease term.

#### j. Inventories

Inventories are carried at the lower of cost and net realisable value, on a weighted average cost basis.

Trade discounts and rebates received are deducted in determining the cost of purchase of inventories. Cost includes appropriate attributable overheads and direct expenditure incurred in the normal course of business in bringing goods to their present location and condition. Costs of inventories include the transfer from equity of any gains or losses on qualifying cash flow hedges relating to purchases.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Write downs to net realisable value are made for slow moving, damaged or obsolete items and other events or conditions resulting in expected selling prices being lower than cost. The carrying value of inventories reflects known and expected losses of product in the ordinary course of business.

#### k. Employee benefits

##### (i) Post-employment benefits

Kingfisher plc operates, on behalf of the Company, a defined benefit and a defined contribution pension scheme for its employees. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement. A defined contribution plan is a pension plan under which the Company usually pays fixed contributions into a separate entity. In each case a separate fund is being accumulated to meet the accruing liabilities. The assets of each of these funds are either held under trusts or managed by insurance companies, and are held entirely separate from the Company's assets.

##### 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.

# B&Q Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2023

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### 2 Significant accounting policies (continued)

#### k. Employee benefits (continued)

##### Defined benefit scheme

The asset or liability recognised in the balance sheet in respect of defined benefit pension plans 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 that are denominated in the currency in which the benefits will be paid and that 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.

##### (ii) Share-based compensation

The Company participates in several equity-settled, share-based compensation plans. The plans are settled on vesting with ultimate parent company shares and accounted for as equity-settled arrangements. As a result, the income statement account is charged with the expense with the corresponding entry to equity. On vesting of the individual arrangements, the employee obligation is settled by Kingfisher plc and the Company is recharged for the award.

The fair value of the Company's employees' services received in exchange for the grant of options or deferred shares is recognised as an expense and is calculated using Black-Scholes and stochastic models. 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. The value of the charge is adjusted to reflect expected and actual levels of options vesting due to non-market vesting conditions.

#### l. 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.

# B&Q Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2023

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### 2 Significant accounting policies (continued)

#### l. Taxation (continued)

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.

#### m. Provisions

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

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

#### n. Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt 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.

# B&Q Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2023

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### 2 Significant accounting policies (continued)

#### n. Financial instruments (continued)

##### (iii) 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.

##### (iv) Trade payables

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

##### (v) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

##### (vi) 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 income statement as they arise. Changes in the fair value of derivatives transacted as hedges of operating items and financing items are recognised in operating profit and net finance costs respectively.

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 financial instruments as:

- a hedge of the fair value of an asset or liability or unrecognised firm commitment ('fair value hedge'); or
- a hedge of a highly probable forecast transaction or firm commitment ('cash flow hedge').

#### Fair value hedges

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 income statement. Gains or losses from remeasuring the corresponding hedging instrument are recognised in the same line of the income statement.

#### Cash flow hedges

Changes in the effective portion of the fair value of derivatives that are designated as hedges of future cash flows are recognised directly in equity, with any ineffective portion being recognised immediately in the income statement where relevant. If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of a non-financial asset or liability, then, at the time it is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the non-financial asset or liability. For hedges that result in the recognition of a financial asset or liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

#### o. Exceptional items

The separate reporting of exceptional items, which are presented as exceptional within their relevant income statement category, helps provide an indication of the Company's ongoing business performance. The principal items which are included as exceptional items are impairment charges / reversals and the costs of significant restructuring.

# B&Q Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2023

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### 3 Critical accounting estimates and judgements

The preparation of the financial statements under FRS 102 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.

#### Sources of estimation uncertainty

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. The most significant are set out below. Aside from Post-employment benefits these are not considered to be key sources of estimation uncertainty as we do not think reasonably possible changes to key assumptions could lead to a material adjustment in the next 12 months. However we feel their identification and disclosure is useful.

#### Impairment of assets

Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable, or where there is any indication that an impairment loss recognised in a previous period either no longer exists or has decreased. 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. Value-in-use is calculated based on a stores expected future sales performance, growth rates determined as part of the 3 year plan forecasting, alongside the application of relevant discount rates.

During the year, net impairment of £32.5m (2022: £1.8m) has been recognised as exceptional items. The following changes in assumptions are based on management's judgement, which represent possible changes that would lead to impacts on the net impairment. A 1% increase in the discount rate would increase the net impairment charge by £3.3m and a 1% decrease in the long-term growth rate would increase the net impairment charge by £2.1m.

#### Inventories

The carrying amount of inventories recognised on the balance sheet, which are carried at the lower of cost and net realisable value, are subject to estimates around rates of provision applied to certain inventory items. The level of provisions recorded are subject to estimation uncertainty in determining the eventual sales price of goods to customers in the future, as well as assessing which items may be slow-moving or obsolete. This is impacted by factors such as stock turn, range or delisted status, shrinkage, damage, obsolescence and range review activity.

Range reviews and resulting clearance activity adds additional complexity to assessing the level of inventory that may become obsolete and the expected net realisable value of inventory which will be sold.

The carrying amount of inventories subject to estimation uncertainty is £698.2m (2022: £641.8m). A 1% increase in the provision as a percentage of gross inventory (before provisions and a deduction for rebates), which based on management's judgment represents a possible change, would result in a £7.4m decrease in the carrying amount of inventories (2022: £6.8m).

The quantity, age and condition of inventories are regularly measured and assessed as part of range reviews and inventory counts undertaken throughout the year.

# **B&Q Limited**

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

**for the year ended 31 January 2023**

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### **3 Critical accounting estimates and judgements (continued)**

#### **Post-employment benefits**

The present value of the defined benefit liabilities recognised on the balance sheet is dependent on a number of market rates and assumptions including interest rates of high quality corporate bonds, inflation and mortality rates. The net interest expense or income is dependent on the interest rates of high quality corporate bonds and the net deficit or surplus position. The market rates and assumptions are based on the conditions at the time and changes in these can lead to significant movements in the estimated obligations. To help the reader understand the impact of changes in the key market rates and assumptions, a sensitivity analysis is provided in note 21.

#### **Judgements made in applying accounting policies**

There are no critical accounting judgements.

# B&Q Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2023

### 4 Sales

£'m	2023	2022
Sale of goods	3,651.9	4,020.5
Rendering of services	57.6	30.1
<b>Sales</b>	<b>3,709.5</b>	<b>4,050.6</b>

All sales arose in the United Kingdom. All services relate to installation services, delivery charges and Marketplace commission

### 5 Other income

£'m	2023	2022
Rent receivable and concession income	14.9	13.5
Royalties income	1.1	1.4
Other income	0.2	-
<b>Other income</b>	<b>16.2</b>	<b>14.9</b>

### 6 Exceptional items

£'m	2023	2022
<b>Included within selling and distribution expenses</b>		
(Charge) / Credit for restructuring	(1.0)	1.9
(Charge) for impairment	(32.3)	(3.3)
Credit for Impairment	-	1.5
	<b>(33.3)</b>	<b>0.1</b>
<b>Included within administrative expenses</b>		
Credit / (charge) for restructuring	-	0.3
	-	0.3
<b>Exceptional items before tax</b>	<b>(33.3)</b>	<b>0.4</b>
Tax on exceptional items	7.1	0.2
<b>Exceptional items</b>	<b>(26.2)</b>	<b>0.6</b>

The charge for restructuring in selling and distribution expenses relates to an increase in property provisions due to expected future costs in relation to subtenants, plus costs in relation to the closure of a store.

The £32.3m impairment charge in selling and distribution costs has been recognised in respect of fixtures and fittings and other leasehold improvements associated with stores that have a value-in-use that is less than asset value.

# B&Q Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2023

### 7 Net finance income

£'m	2023	2022
Finance leases	-	(1.2)
Other interest payable	-	-
<b>Finance costs</b>	<b>-</b>	<b>(1.2)</b>
Net interest income on defined benefit pension schemes	13.4	9.0
Interest receivable from Group undertakings	20.1	12.8
Finance lease income	0.2	1.3
<b>Finance income</b>	<b>33.7</b>	<b>23.1</b>
<b>Net finance income</b>	<b>33.7</b>	<b>21.9</b>

### 8 Profit before taxation

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

£'m	2023	2022
Sales	3,709.5	4,050.6
Other income	16.2	14.9
<b>Revenue</b>	<b>3,725.7</b>	<b>4,065.5</b>

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

£'m	2023	2022
Operating lease rentals		
- Minimum lease payments – Property	315.1	304.8
- Minimum lease payments – Equipment	11.6	10.1
	<b>326.7</b>	<b>314.9</b>
Depreciation of property, plant and equipment and investment property		
- Owned assets	48.6	62.6
- Under finance leases	2.8	3.8
Impairment of property, plant and equipment and investment property	32.5	(1.8)
Impairment of inventory	2.4	(7.5)
Loss / (gain) on disposal		
- Fixtures, fittings and equipment	1.4	0.5
- Finance Leases	(0.8)	-
Net foreign exchange loss/(gain)	0.8	(0.6)
Audit fees payable to the Company's auditor		
- fees payable to the Company's auditor for the audit of the Company's annual accounts	0.3	0.2

Non-audit fees to the Company's auditor amounted to £nil (2022: £nil).

# B&Q Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2023

### 9 Employees and directors

£'m	2023	2022
Wages and salaries	411.6	454.9
Social security costs	27.9	25.6
Post-employment benefits		
- Defined contribution (note 21)	24.3	22.3
- Defined benefit (note 21)	6.1	3.2
Share-based compensation (note 23)	5.1	5.4
<b>Employee benefit expenses</b>	<b>475.0</b>	<b>511.4</b>

Number	2023	2022
Stores	22,094	25,328
Administration	1,083	1,010
<b>Average number of persons employed</b>	<b>23,177</b>	<b>26,338</b>

#### Directors' remuneration

£'m	2023	2022
Short-term employee benefits	0.9	4.0
Termination benefits	-	-
Share-based compensation	0.3	0.5
<b>Directors' remuneration</b>	<b>1.2</b>	<b>4.5</b>

#### The number of directors who:

Number	2023	2022
Are members of a defined benefit pension scheme	-	-
Are members of a defined contribution pension scheme	-	-
Exercised options during the period	2	4
Had awards receivable in the form of shares under long-term incentive scheme	2	8

#### Remuneration of the highest paid director

£'m	2023	2022
<b>Director's emoluments</b>	<b>0.8</b>	<b>0.8</b>

Included within these emoluments are amounts accrued under long-term incentive schemes designed to retain and incentivise. The highest paid director exercised share options in the year, they are not a member of the defined benefit pension scheme and they had no accrued entitlements. They did receive shares under long-term incentive schemes. There were no company contributions to a money purchase pension scheme.

# B&Q Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2023

### 10 Income tax expense

£m	2023	2022
<b>UK corporation tax</b>		
Current tax on profits for the year	20.4	49.1
Adjustments in respect of prior years	(3.3)	-
	17.1	49.1
<b>Overseas tax</b>		
Current tax on profits for the year	0.3	0.4
	0.3	0.4
<b>Deferred tax</b>		
Current year	9.6	9.3
Effect of change in tax rate expense	(0.5)	(3.8)
Adjustments in respect of prior years	0.9	(0.5)
	10.0	5.0
<b>Income tax expense</b>	<b>27.4</b>	<b>54.5</b>

#### Factors affecting tax charge for the year

The Company's profits for this accounting period are taxed at a rate of 19% (2021/22: 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 net deferred tax liability as reported by £3.8m which was recorded in 2021/22.

The tax charge for the year differs from the standard rate of corporation tax in the UK of 19% (2021/22: 19%). The differences are explained below:

£m	2023	2022
Profit before taxation	139.8	300.3
Profit multiplied by the standard rate of corporation tax in the UK of 19%	26.5	57.1
Net income not chargeable for tax purposes	(0.8)	(0.6)
Net expenses not deductible for tax purposes	2.6	-
Adjustments in respect of prior years	(2.4)	(0.6)
Adjustments in respect of changes in tax rates	1.7	(1.4)
<b>Income tax expense</b>	<b>27.6</b>	<b>54.5</b>

# B&Q Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2023

### 11 Dividends

There was no dividend declared or paid during the year (2022: no dividend declared or paid).

### 12 Property, plant and equipment

£'m	Land and buildings	Fixtures, fittings and equipment	Total
<b>Cost</b>			
At 1 February 2022	252.2	1,506.3	1,758.5
Additions	6.8	92.9	99.7
Disposals	(5.9)	(15.6)	(21.5)
At 31 January 2023	253.1	1,583.6	1,836.7
<b>Depreciation</b>			
At 1 February 2022	(198.6)	(1,217.3)	(1,415.9)
Charge for the year	(4.3)	(47.1)	(51.4)
Impairment	(3.1)	(29.4)	(32.5)
Disposals	5.6	14.1	19.7
At 31 January 2023	(200.4)	(1,279.7)	(1,480.1)
<b>Cost</b>			
At 1 February 2021	247.9	1,419.2	1,667.1
Additions	4.3	95.6	99.9
Disposals	-	(8.5)	(8.5)
At 31 January 2022	252.2	1,506.3	1,758.5
<b>Depreciation</b>			
At 1 February 2021	(189.6)	(1,166.1)	(1,355.7)
Charge for the year	(9.0)	(57.4)	(66.4)
Impairment	-	(1.8)	(1.8)
Disposals	-	8.0	8.0
At 31 January 2022	(198.6)	(1,217.3)	(1,415.9)
<b>Net carrying amount</b>			
At 31 January 2023	52.7	303.9	356.6
At 31 January 2022	53.6	289.0	342.6

# B&Q Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2023

### 12 Property, plant and equipment (continued)

Following an impairment review, it was deemed that the value-in-use was lower than the book value of some assets, therefore an impairment charge of £(32.5)m (2022: £(1.8)m has been recognised).

£'m	Land and buildings	Fixtures, fittings and equipment	Total
<b>Assets in the course of construction included above at net carrying amount</b>			
At 31 January 2023	2.3	100.2	102.4
At 31 January 2022	1.1	93.1	94.1
<b>Assets held under finance leases included above at net carrying amount</b>			
At 31 January 2023	2.7	4.4	7.1
At 31 January 2022	3.7	6.7	10.4

Cumulative finance costs capitalised included in the cost of tangible fixed assets amount to £0.8m (2022: £0.9m).

Land and buildings are analysed as follows:

£'m	* As restated	
	2023	2022
Long leasehold	2.7	3.7
Short leasehold	31.7	31.2
Owned Assets	18.3	18.7
<b>Net carrying amount</b>	<b>52.7</b>	<b>53.6</b>

Included in land and buildings is leasehold land that is in effect a prepayment for the use of land and is accordingly being amortised on a straight line basis over the estimated useful life of the assets. The net carrying amount of leasehold land included in land and buildings at 31 January 2023 is £30.9m (2022: £35.6m).

\* In the previous year, the owned assets were incorrectly reported as being part of short leasehold land and buildings, and have therefore been restated.

### 13 Investments

£'m	Investment in subsidiaries
At 1 February 2022 and 31 January 2023	-

#### Interests in Group undertakings

Address	Country of incorporation	Class of share	% owned	Activity
<b>Dickens Limited</b>				
B&Q House Chestnut Avenue, Chandlers Ford, Eastleigh, Hampshire, SO53 3LE	England & Wales	Ordinary	100	Dormant
<b>Koçtaş Yapı Marketleri Ticaret A.Ş.</b>				
Tasdelen Mh. Sirri Celik Bulvari Otokoc Blok No.9 34788 Cekmekoy-Istanbul, Turkey	Turkey	Ordinary	0.15	Retail - Home Improveent

Subsidiary undertakings have not been consolidated by the Company as permitted by s.400 of the Companies Act 2006 as they are consolidated in the financial statements of Kingfisher plc.

# B&Q Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2023

### 14 Inventories

£'m	2023	2022
Finished goods for resale	698.3	641.8

Included within finished goods for resale is a deduction for rebates to reflect inventories that have not been sold at the balance sheet date.

There is no material difference between the balance sheet value of inventories and their replacement cost. The cost of inventories recognised as an expense and included in cost of sales for the year ended 31 January 2023 is £1,854.5m (2022: £2,022.2m).

### 15 Trade and other receivables

£'m	2023	2022
<b>Non-current</b>		
Amounts owed by fellow subsidiaries in the group	1,364.7	1,352.0
Other receivables related to Kingfisher Pension Scheme	24.3	-
	<b>1,389.0</b>	<b>1,352.0</b>
<b>Current</b>		
Trade receivables	14.9	11.8
Amounts owed by fellow subsidiaries in the group	555.3	572.7
Prepayments	48.2	53.1
Other receivables related to Kingfisher Pension Scheme	16.2	-
Other receivables	9.3	1.5
	<b>643.9</b>	<b>639.1</b>
<b>Trade and other receivables</b>	<b>2,032.9</b>	<b>1,991.1</b>

Interest is received on the non-current amounts owed by fellow subsidiaries in at Sterling Overnight Interbank Average ("SONIA") + 0.52%.

The other receivable related to the Kingfisher Pension Scheme was initially recorded as a £49m asset through other comprehensive income, with £8m being subsequently recovered in the year. For further information on the other receivable related to the Kingfisher Pension Scheme, please refer to Note 21.

The current amounts owed by Group undertakings as at 31 January 2023 are unsecured with no fixed maturity and are repayable on demand. Interest is received at a rate of 1.63% (2022: 0.06%).

# B&Q Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2023

### 16 Trade and other payables

£m	2023	2022
<b>Current</b>		
Trade payables	419.2	416.2
Amounts owed to fellow subsidiaries in the group	50.0	55.0
Other taxation and social security	42.5	46.8
Accruals and deferred income	149.9	185.9
Other payables	31.7	62.1
	<b>693.3</b>	<b>766.0</b>
<b>Non-current</b>		
Other payables	75.0	62.8
	<b>75.0</b>	<b>62.8</b>
<b>Trade and other payables</b>	<b>768.3</b>	<b>828.8</b>

The amount owed to group undertakings has no fixed maturity, is repayable on demand and is unsecured. Interest is payable at a rate of 1.63% (2022: 0.06%).

Other payables are repayable as follows:

£m	2023	2022
Less than one year	31.7	62.1
One to five years	42.1	35.8
More than five years	32.9	27.0
	<b>106.7</b>	<b>124.9</b>

### 17 Borrowings

£m	2023	2022
<b>Current</b>		
Finance leases	4.8	4.8
	<b>4.8</b>	<b>4.8</b>
<b>Non-current</b>		
Finance leases	7.5	11.9
	<b>7.5</b>	<b>11.9</b>

Future minimum lease payments under finance leases are as follows:

£m	2023	2022
Less than one year	2.8	4.8
One to five years	5.8	8.3
More than five years	1.7	3.5
	<b>10.3</b>	<b>16.6</b>

# B&Q Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2023

### 18 Derivatives

£m	2023	2022
Foreign exchange contracts	5.1	6.2
<b>Derivative assets</b>	<b>5.1</b>	<b>6.2</b>
Foreign exchange contracts	(9.6)	(1.4)
<b>Derivative liabilities</b>	<b>(9.6)</b>	<b>(1.4)</b>

£m	2023		2022	
	Derivative assets	Derivative liabilities	Derivative assets	Derivative liabilities
Less than one year	5.1	(8.1)	6.2	(1.3)
One to five years	0.0	(1.5)	-	(0.1)
	<b>5.1</b>	<b>(9.6)</b>	<b>6.2</b>	<b>(1.4)</b>

The fair values are calculated by discounting future cash flows arising from the instruments and adjusted 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 purchases. At 31 January 2023 the amount of such contracts is £301.9m (2022: £329.0m). The associated fair value gains and losses will be transferred to inventories when the purchases occur during the next 12 months. Gains of £21.6m (2022: loss of £11.4m) have been transferred to inventories for contracts which matured during the year.

### 19 Deferred tax

£m	2023	2022
Deferred tax assets	2.5	11.5
Deferred tax liabilities	(107.8)	(218.8)
	<b>(105.3)</b>	<b>(207.3)</b>

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

Deferred tax is provided as follows:

£m	2023	2022
Accelerated tax depreciation	1.4	9.9
Gains on property	(3.7)	(4.2)
Provisions	(0.4)	1.6
Post-employment benefits	(103.7)	(213.7)
Other	1.1	(0.9)
<b>Total deferred tax</b>	<b>(105.3)</b>	<b>(207.3)</b>

The net deferred tax liability expected to reverse in the year beginning 1 February 2023 is £(7.1m). This primarily relates to timing differences on fixed assets.

£m	Total
At 1 February 2022	(207.3)
Credit to income statement	(10.0)
Debit to other comprehensive income	112.0
<b>At 31 January 2023</b>	<b>(105.3)</b>
At 1 February 2021	(191.9)
Charge to income statement	(5.0)
Credit to other comprehensive income	(10.4)
<b>At 31 January 2022</b>	<b>(207.3)</b>

# B&Q Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2023

### 20 Provisions

£'m	Onerous property contracts	Restructuring	Total
At 1 February 2022	6.2	4.7	10.9
Charged to the income statement	7.8	0.5	8.3
Released to income statement	(2.4)	(1.2)	(3.6)
Utilised in the year	(3.1)	-	(3.1)
Balance transfer	0.5	(0.5)	-
At 31 January 2023	9.0	3.5	12.5
At 1 February 2021	10.3	9.4	19.7
Charged to the income statement	0.6	(0.6)	-
Released to income statement	(0.9)	(0.5)	(1.4)
Utilised in the year	(3.8)	(3.6)	(7.4)
Balance Transfer			
At 31 January 2022	6.2	4.7	10.9
Current liabilities	3.3	2.7	6.0
Non-current liabilities	5.7	0.8	6.5
	9.0	3.5	12.5

Within the onerous property contracts provisions, the Company has provided against future liabilities for all properties sublet at a shortfall and long-term idle properties, along with properties acquired on acquisition of subsidiaries at above market rents. Such provisions exclude those relating to restructuring programmes which are included in the restructuring provisions. The provisions are based on the present value of the future cash outflows relating to rent, rates and service charges.

Restructuring provisions include the estimated costs of the Company's restructuring programmes as detailed further in note 6, which primarily relate to future idle property costs.

These provisions continue to unwind in line with the lengths of the leases to which they relate.

# B&Q Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2023

### 21 Post-employment benefits

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

#### Defined contribution schemes

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

£'m	2023	2022
Charge to operating profit	24.3	22.3

From July 2012, an enhanced defined contribution scheme was 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 Group's policy is for each entity to recognise its share of assets and liabilities based on the proportion of the scheme contributions payable by that entity. The valuation of the scheme has been based on the most recent actuarial valuation as at 31 March 2022. Following this valuation and in accordance with the scheme's Statement of Funding Principles, the Trustee and Kingfisher have agreed to cease annual employer contributions during the period from August 2022 to July 2025. See note 28 to the consolidated financial statements for further detail on the Kingfisher Pension Scheme.

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

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

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

Note that income continues to be received by the Kingfisher Pension Scheme from the property partnership, but following agreement with the Trustee is now used to offset the Company's employer contributions payable to the defined contribution section from August 2022 to July 2025. The future economic benefit of this offset was recorded as a £49m asset in Trade & Other receivables (note 15, with £40.5m remaining at 31 Jan 2023), but with a corresponding reduction in the Company's defined benefit scheme assets.

#### Income statement

£'m	2023	2022
Current service cost	(2.6)	(2.4)
Past service cost	-	-
Administration costs	(3.5)	(3.3)
Net interest income	69.6	9.1
Total credited to income statement	63.5	3.4

# B&Q Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2023

### 21 Post-employment benefits (continued)

#### Balance sheet

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

£'m	Defined benefit obligation	Scheme assets	Total
At 1 February 2022	(2,604.3)	3,215.0	610.7
Current service cost	(2.6)	-	(2.6)
Past service cost	-	-	-
Administration costs	-	(3.5)	(3.5)
Interest (expense)/income	Correc	69.6	69.6
Actuarial (losses) / gains <sup>(1)</sup>	801.3	(1,126.9)	(325.6)
Return on plan assets excluding interest income	-	0.0	-
Contributions paid by employer	-	3.9	3.9
Benefits paid	104.6	(104.6)	-
At 31 January 2023	(1,700.9)	2,053.4	352.5

£'m	Defined benefit obligation	Scheme assets	Total
At 1 February 2021	(2,744.4)	3,335.1	590.7
Current service cost	(2.4)	-	(2.4)
Past service cost	-	-	-
Administration costs	-	(3.3)	(3.3)
Interest (expense)/income	(40.3)	49.4	9.1
Actuarial (losses) / gains <sup>(1)</sup>	65.3	(56.9)	8.4
Return on plan assets excluding interest income	-	0.0	-
Contributions paid by employer	-	8.2	8.2
Benefits paid	117.5	(117.5)	-
At 31 January 2022 (Restated) <sup>(2)</sup>	(2,604.3)	3,215.0	610.7

(1) Representing the total amounts recognised in other comprehensive income for the year.

(2) Prior year assets and liabilities have been restated, as Benefits paid were incorrectly recorded in the note to the financial statements in the prior year. Benefits paid was shown as a debit of £112.5m to scheme assets and a credit of £112.5m to scheme liabilities, this should have been recorded as a credit of £117.5m to scheme assets and a debit of £117.5m to scheme liabilities. The impact has £nil overall impact on the net pension asset per the balance sheet.

The fair value of scheme assets is analysed as follows:

£'m	2023	2022
Equities	40.8	110.9
Government and corporate bonds	1,699.1	2,626.3
Property	-	2.7
Cash and other	313.5	475.1
Total fair value of scheme assets	2,053.4	3,215.0

The return on plan assets was:

£'m	2023	2022
Interest income	69.6	49.4
Return on plan assets less interest income	(1,126.9)	(56.9)

# B&Q Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2023

Total return on plan assets	(1,057.4)	(7.6)
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### 21 Post-employment benefits (continued)

#### Principal actuarial valuation assumptions

The assumptions used in calculating the costs and obligations of the defined benefit pension scheme is set after consultation with independent professionally qualified actuaries. The assumptions are based on the conditions at the time and changes in these assumptions can lead to significant movements in the estimated obligations, as illustrated in the sensitivity analysis.

The scheme discount rate is derived using a single equivalent discount rate approach, based on the yields available on a portfolio of high-quality Sterling corporate bonds with the same duration as that of the scheme liabilities.

Annual % rate	2023	2022
Discount rate	4.5	2.2
Price inflation	3.3	3.5
Rate of pension increases	3.2	3.4

The mortality assumptions used have been selected with regard to the characteristics and experience of the membership of the scheme as assessed from time to time relating to triennial funding valuations. The base mortality assumptions have been derived using an analysis of current mortality rates carried out by Club Vita for the Trustee and the CMI life expectancy projection model data published by the UK actuarial profession. The latter allowance is in line with CMI 2021 improvements subject to a long-term rate of 1.5% p.a. for both males and females. The assumptions for life expectancy of UK scheme members are as follows:

Years	2023	2022
Age to which current pensioners are expected to live (60 now)		
- Male	86.2	86.4
- Female	88.7	87.3
Age to which future pensioners are expected to live (60 in 15 years' time)		
- Male	87.5	87.5
- Female	90.8	90.2

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

Assumption	Change in assumption	Impact on defined benefit obligation
Discount rate	Increase/decrease by 1.0%	Decrease/increase by £320m
Price inflation	Increase/decrease by 0.5%	Increase/decrease by £134m
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £127m
Mortality	Increase in life expectancy by one year	Increase by £74m

# B&Q Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2023

### 22 Share capital

£m	2023	2022
Allotted, called up and fully paid		
45,663,000 Ordinary shares 5p	2.3	2.3
678,420,375 Ordinary shares £1	678.4	678.4
1,000 Special shares of 5p	-	-
1,000 Special A shares of 5p	-	-
	<b>680.7</b>	<b>680.7</b>

The ordinary shares of 5p each hold voting rights and have preferential rights to return of capital on a winding up. On a winding up, out of the surplus assets of the Company, the holders of the ordinary shares of £1 are entitled, in priority to any repayment of capital on any other class of shares, to a return of the capital paid up on such ordinary shares after payment of its liabilities and in addition, the sum of £100 per issued ordinary share of £1.

The special shares and the special A shares do not hold voting rights and have limited rights to capital on a winding up basis. The holders of special shares are entitled to such dividends as determined by the directors and approved by the Company at general meetings.

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

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

The translation reserve represents the cumulative effect of currency translation differences.

The cashflow hedge reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in hedging foreign exchange risk in firm commitments or highly probable forecast transactions. Amounts accumulated in this reserve are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

# B&Q Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2023

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### 23 Share-based payments

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

Options have been exercised on a regular basis throughout the year. On that basis, the weighted average share price during the year, rather than at the date of exercise, is £2.53 (2022: £3.38). The options outstanding at the end of the year have exercise prices ranging from nil to £2.75 and a weighted average remaining contractual life of 4.3 years (2022: 3.3 years).

In the current year the Company recognised a total expense of £5.1m (2022: £5.4m) relating to equity-settled share-based payment transactions.

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

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

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

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

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

# B&Q Limited

## Notes to the financial statements (continued)

for the year ended 31 January 2023

### 24 Commitments

#### Operating lease commitments

The Company is a lessee and lessor of various retail 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:

£'m	2023	2022 (Restated)
Less than one year	304.1	290.6
One to five years	1,043.9	1,012.5
More than five years	735.2	730.4
	<b>2,083.2</b>	<b>2,033.5</b>

Prior year commitments have been restated as intercompany and equipment commitments were incorrectly recorded in the financial statements. Previous total commitments showed £1,999m.

Undiscounted total future minimum operating sublease receipts expected to be received are as follows:

£'m	2023	2022
Less than one year	4.5	4.8
One to five years	10.7	12.6
More than five years	1.0	1.7
	<b>16.2</b>	<b>19.1</b>

#### Capital commitments

Capital commitments contracted but not provided for by the Company amount to £4.8m (2022: £9.0m).

### 25 Contingent liabilities

The Company has no contingent liabilities outstanding in respect of indemnities and guarantees given by its bankers (2022: £nil). The directors consider that the fair value of the liability arising as a result of these arrangements is immaterial.

The Company has no contingent assets at the period end (2022: £nil).

### 26 Related party transactions

As permitted by FRS 102 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.

During the year, the Company made donations totalling £1,571k (2022: £1,411k) to B&Q Foundation, a registered charity of which a number of directors are trustees.

As at 31 January 2023 there was £227k (2022: £193k) owed to B&Q Foundation, which is included within other payables.

### 27 Post balance sheet events

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

# **B&Q Limited**

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

**for the year ended 31 January 2023**

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### **28 Ultimate parent company**

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The directors consider Kingfisher Investissements SAS, a company incorporated in France, to be the immediate parent undertaking. Copies of the financial statements of this company may be obtained from the Company Secretary, Kingfisher Investissements SAS, Zone Industrielle, 59175 Templemars, France.

The ultimate parent undertaking and controlling party is Kingfisher plc, 1 Paddington Square, London, W1 1GG, a company registered in England and Wales. The largest and smallest group preparing consolidated financial statements of which B&Q Limited is a member is Kingfisher plc. A copy of the Annual Report and Accounts can be obtained from [www.kingfisher.com](http://www.kingfisher.com).