

Screwfix Spares Limited

Strategic Report

The Directors present their strategic report on Screwfix Spares Limited (the 'Company') for the year ended 31 January 2025.

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 spare parts and related products and services to both tradespeople and the general public, primarily through the Company's websites.

Change of Ownership

The Company was acquired by Screwfix Direct Limited (SDL) from Kingfisher Marketplaces Limited on 30th May 2024 as part of an internal restructuring within the Kingfisher Group. The consideration for the acquisition was £457,500. This value of £457,500 represents the 457,500 Ordinary Shares valued at GBP 1 each, resulting in the Company being wholly owned by SDL.

Subsequent to the acquisition on 30th May 2024, the Company received an equity injection of £3,042,500 from SDL on 1st July 2024, ensuring the Company remains well-capitalised and able to finance its ongoing activities. This equity injection increases the total share capital of the Company to £3,500,000 Ordinary shares at a £1 nominal value.

Review of the business and future developments

The financial year ending 31st January 2025 marked Screwfix Spares Limited's (SSL) first full year of trading under the ownership of Screwfix Direct Limited and, by extension, Kingfisher plc. The year delivered strong top-line growth, with total revenue increasing to £58.1m, up from £40.9m in the prior 10-month period. This growth reflected the benefit of a full trading year, robust performance across key customer segments, and focused execution of an ambitious strategic plan.

Despite the strong top-line performance, SSL reported a statutory loss before tax of £(3.8)m, an improvement on the prior-period loss of £(4.3)m. The narrowing of the loss reflects benefits from volume growth, early returns on efficiency initiatives and tighter control of discretionary overheads, partly offset by inflationary pressure on freight, wages and input costs.

Like-for-like sales (LFL) rose by 22.1% over the comparable 10-month annualised period, underpinned by a 17% increase in order volumes and a 5% uplift in basket size (units per order). Revenue growth was achieved across both primary sales channels—B2B and B2C—with trade sales growing 25% YoY, aided by targeted acquisition efforts and deeper customer relationships.

The increase in average selling prices was a direct consequence of input cost pressures across freight, wages, and product costs. SSL responded to these challenges by implementing a balanced pricing strategy that preserved competitiveness whilst maintaining gross margins.

Significant improvements were made across SSL's logistics operations. These include optimising pick-and-pack routines, better demand forecasting accuracy, and process automation benefits. Inventory rose by £1.5m YoY with stock days increasing to 71 (2023/24: 47), reflecting a deliberate and successful effort to ensure availability. These changes have had a favourable impact on customer satisfaction and order fulfilment times.

Trade receivables closed at £7.9m, reflecting the higher sales run-rate and seeing an improvement YoY of £1.4m, reflecting healthy working capital management with faster collection through improved system automation.

The UK macroeconomic environment remains mixed. While inflation has continued its downward trend (CPI at 3.0% in January 2025 vs. 4.0% a year prior), consumer confidence remains subdued amid persistently high interest rates. Wage inflation, energy costs, and labour availability continue to pressure margins and planning assumptions.

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Despite these headwinds, SSL remains well-positioned. The resilience of demand for spare parts remains evident. Moreover, the post-pandemic trend towards repair over replace offers a structural tailwind that SSL is actively capitalising on through targeted content, education, and value-led own-brand (Electrupart) options.

As part of the wider Kingfisher Group, SSL benefits from scale advantages in procurement, foreign exchange hedging, and access to digital innovations. Kingfisher's centralised treasury and sourcing operations provide stability and protection against currency volatility, particularly the USD. These synergies have enabled SSL to remain competitively priced and navigate cost inflation more effectively than its peers. Where commercially appropriate, further opportunities to integrate Group systems, logistics capability, and product sourcing are being explored and represent a clear strategic upside.

Looking forward, SSL plans to continue investing in range expansion, digital capability, and fulfilment. A key pillar of the coming year will be focusing on enhancing the ease and convenience of doing business with SSL as part of our commitment to delivering a best-in-class customer experience.

Key performance indicators

SSL is part of the Kingfisher plc group of companies (the "Group"). Further information on the Group's analysis using financial key performance indicators can be found in the 2024/25 Kingfisher plc Annual Report ("Kingfisher Annual Report"): 'Financial Review' on pages 47-55.

Total reported revenue for the year was £58.1m (2023/24 ten-month period: £40.9m). LFL sales increased by 22.1% compared to the prior year's annualised 10-month trading period. This was driven by a 17% increase in order volumes and a 5% increase in basket size (units per order). Growth was achieved across both the B2B and B2C segments, with trade sales increasing by 25% year-over-year.

Total operating costs increased in the year due to planned investments in stock, technology, and fulfilment capacity to support growth and enhance the customer proposition. Selling and administration expenses rose to £25.5m from £20.1m for the 10 months in the prior year, and distribution costs increased to £5.4m (2023/24: £3.3m), in line with expectations for a full year of operations.

Consumer engagement metrics improved over the period. LFL visits to SSL websites rose by 7.4%, while the on-site conversion rate increased by 0.1%ppts. Digital enhancements, improved product visibility, and targeted customer campaigns supported these gains.

Revenue from international markets grew by 63% year-over-year, highlighting progress in geographical diversification and the scalability of the digital platform across European markets.

As part of ongoing performance management, SSL closely monitors its investment in working capital. Inventory levels were increased to ensure high product availability, contributing to a year-end stock holding of 71 days (2023/24: 47 days). This strategic investment has supported the expansion of the range and reinforced SSL's market position as a leading supplier of appliance spares. Stock lines in range increased significantly during the year (2023/24: 49,100 to 2024/25: 57,800).

SSL reported an operating loss of £(3.8)m for the year ended 31 January 2025, an improvement from £(4.3)m in the prior period. 2023/24 was a transitional year spent stabilising the business after its purchase from administration and rebuilding the foundations for sustainable growth. Management prioritised restoring service levels, simplifying the operating model and catching up on long-deferred technology investment. These corrective actions, along with a sharper focus on core activities that truly delight customers, have temporarily impacted profitability. As the benefits of the digital upgrades feed through, customer acquisition costs normalise and operational focus tightens, SSL expects to move into profit in the near term.

Principal risks and uncertainties

The board regularly discusses the key business risks and uncertainties affecting the Company, such as the impact of macroeconomic conditions and competition on product demand. Product demand is monitored through monthly rolling forecasts, which factor in the latest trends to inform supply chain planning procedures.

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As with all retailers, cybersecurity and the threat of malicious attack are ongoing risks, with methods of attack constantly evolving. Protecting business continuity and customer data is a key area of focus. Our people's actions and understanding of our policies and procedures are a key part of our protection and defence. Alongside strong technical controls to identify and prevent attacks, all colleagues must undertake periodic training to maintain awareness of the risks.

Other key risks and uncertainties include ongoing market conditions, competition and UK consumer confidence given the increase in interest rates and inflation. We are committed to managing our gross margin effectively in an environment of inflation. Being part of the larger Kingfisher group has allowed us to benefit from improved buying power, which stands us in good stead in the face of a challenging marketplace. The focus of the Company is to become increasingly a leader in price competitiveness and convenient shopping options. This will help us drive market share in the face of a challenging marketplace, which remains characterised by cost price inflation and lower consumer confidence.

Certain risks, such as climate change, human rights, anti-corruption, and anti-bribery matters, are overseen at a Group level. Consideration and required disclosures, including the associated mitigation of these risks, are disclosed on pages 60 to 65 of the Kingfisher Annual Report. Activities to manage and monitor these risks are also performed at a Company level in line with the standards set at the Group level.

Financial risk management objectives and policies

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

The Company's interest rate, liquidity, and foreign exchange risks are managed centrally by the Group Treasury department, which monitors and manages levels of debt finance and related finance costs. A full description of these financial risk management policies is included in the Kingfisher plc 2024/25 Annual Report, pages 59 to 66.

Economic risk

The biggest economic risks facing the Company are weaker GDP growth in the UK, political uncertainty and social unrest, higher wage inflation (e.g., UK National Living Wage increasing by c.6.7% pa), and significant cost inflation (across raw materials, utilities, and third-party labour). All these factors are considered regularly as part of the executive board's decision-making process. In order to mitigate these factors, input costs are actively managed, and when they cannot be mitigated or absorbed, higher average selling prices also mitigate these risks.

Foreign exchange risk

The Company's activities primarily expose it to financial risks associated with changes in foreign currency exchange rates. In accordance with the Group's policy, the Company uses foreign exchange forward contracts to hedge any material exposures.

Cash Flow Risk

The Company's operating activities expose it to cash flow risk. The main risk is that of ordering stock in large quantities to maximise margin, which then occupies working capital for extended periods until the stock is sold. This risk to working capital is higher for stock that is imported from overseas, as the transit time lengthens the working capital cycle. The duration of the working capital cycle is mitigated by negotiating payment terms with suppliers, implementing active stock governance, and managing aged debt on customer trade credit accounts effectively.

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Credit risk

The Company's principal financial assets include bank balances and cash, trade and other receivables, and related-party receivables. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made when there is an identified loss event that, based on previous experience, indicates a reduction in the recoverability of the cash flows. The Company has no significant concentration of credit risk, with exposure spread over many customers.

Liquidity risk

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

Corporate Governance

The Company is a wholly owned subsidiary of Kingfisher plc. Kingfisher plc is subject to the Financial Reporting Council UK Corporate Governance Code (the "Code"), and page 71 of the 2024/25 Kingfisher plc Annual Report and Accounts sets out how it has applied the Code throughout the year ended 31 January 2025. 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 Framework (the "Framework"), which applies to the Company and all legal entities within the Kingfisher Group and encompasses eight 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
- Group Structure

In pursuit of these governance arrangements, the Company operates a two-tier management structure comprising a legal board and a management board. The company also has an Audit Committee, an Ethics and Compliance Committee, a Responsible Business Committee, a Health and Safety Committee, and a People Forum in place to support the management board in performing its duties. Their responsibilities are clearly defined within the matters reserved to the legal board and the terms of reference of the management board and its committees. The management board's responsibilities encompass all operational issues and the day-to-day management of the Company.

The legal board is responsible for ensuring compliance with all applicable statutory and regulatory obligations, as well as matters of corporate governance and financing arrangements. The legal board and management board are expected to follow the principles set out in the framework and have due regard for the views of its

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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 and a suite of other Group-wide policies to a standard commensurate with the status of Kingfisher plc as a listed entity.

The Company confirms it has complied with all Principles set out in the Framework in respect of the 2024/25 financial year.

Section 172(1) and stakeholder engagement statement

The Directors are fully aware of their responsibilities to promote the success of the company in accordance with Section 172 (s172) of the Companies Act 2006 (the Act). When making decisions, Directors have regard to the matters in s172, including the interests of stakeholders relevant to the Company, the impact of the Company's operations on the community and environment, and the Company's desire to maintain a reputation for high standards of business conduct as well as its long-term success. Actions and behaviours are governed by the robust governance framework of the 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 the 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 and the outcomes of specific pieces of engagement (for example, the results of customer and supplier surveys). 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 spares and consumables products. 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 (NGOs), regulators & Government, national and international external regulators of product safety. While there are cases where the Board judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both stakeholders and the Group, means that generally stakeholder engagement best takes place at an operational or Group level. As well as being a more efficient and effective approach, this also helps the Company achieve a greater positive impact on environmental, social, and other issues than by engaging as an individual company. Please see pages 21 to 24 of the 2024/25 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.

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.

Key Decisions Taken in the Financial Year

The Company was acquired by Screwfix Direct Limited (SDL) from Kingfisher Marketplaces Limited on 30th May 2024 as part of an internal restructuring within the Kingfisher Group. The consideration for the acquisition was £457,500. This value of £457,500 represents the 457,500 Ordinary Shares valued at GBP 1 each, resulting in the Company being wholly owned by SDL.

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No significant decisions were made during the financial year as the company continued with its growth strategy.

Long Term Decision Making

The Group's strategic approach is focused on building a resilient, sustainable business capable of delivering value over the long term. While we remain agile in responding to short-term operational challenges, our investment decisions, financial planning, and governance processes are designed with a multi-year horizon.

Our capital allocation prioritises our long-term capabilities, including digital platform improvements, operational efficiencies, and customer experience innovations. Examples include the continued development of our product proposition, migration to a scalable systems architecture, and rationalisation of legacy systems.

We also maintain a forward-looking approach to workforce development, investing in the tools, skills and leadership we will need to support our growth.

The Board regularly reviews our long-term plan and stress-testing scenarios, ensuring decisions are not only commercially robust but also aligned with our long-term vision and goals.

Customer Engagement

The Customer is at the heart of our thinking and philosophy. The Company is developing its ability to understand customer needs, behaviours, and feedback through direct customer contact via our customer services department (we offer contact options via the website, email, and live chat), as well as customer surveys and reviews, monitoring purchasing trends, and analysing search engine information. These insights will inform the future direction of the business.

Supplier Engagement

The Management Board recognises that building and maintaining trusted partnerships with the Company's suppliers is fundamental to the business's long-term success. The Board considers the impact on suppliers when making key strategic decisions related to product ranges, supply, and logistics.

The Company engages with suppliers in regular meetings, either online or in person, and at trade events, to improve outcomes for both the suppliers and the Company (business as usual) and to minimise supply chain impacts caused by changes to the trading environment post-pandemic.

Employee Engagement

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

Colleague feedback is received in several ways, including from established People Forums, and feedback is communicated to the Board through regular colleague engagement surveys. Business announcements are also sent via email to employees.

All employees are invited to attend Quarterly Town Halls. These are led by the CEO and the senior leadership team, who provide a business update, including the latest published financial information, and a progress update

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and a cascade of other relevant information. These also provide employees with an opportunity to ask questions of their senior managers to address issues not covered by the business update itself.

A bi-annual employee survey is conducted using a third-party tool, which provides an opportunity to gather anonymous feedback from employees on a range of subjects. The tool enables the reporting of an overall engagement score, as well as individual team scores. It facilitates the development of action plans tailored to each part of the business. A selection of core questions tracks engagement over time to measure the impact of executing these plans.

Kingfisher is committed to the well-being of employees, and the plans for people and culture can be found in the Kingfisher Annual Report.

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

As part of the Group, the Company aims to help customers have greener homes. The Company has made available numerous guides and short videos on how to repair, rather than replace, many home appliances, and offers a range of spare parts and repair services to support this goal.

The Group is committed to specific environment-based targets, including the use of sustainable wood and paper products, becoming forest-positive, and reducing carbon emissions over the next three years. The specifics of these goals (and commentary on progress toward full achievement of these) can be found on pages 25 to 30 of the 2024/25 Kingfisher Annual Report.

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

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

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

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

Approved by the Board on 31st July 2025 and signed on its behalf by:

DocuSigned by:

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J Mewett
Director