

# Screwfix Direct Limited

## Strategic Report

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The Directors present their strategic report on Screwfix Direct 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 continued to be that of the retail of trade and DIY products to both tradespeople and the general public, primarily through the Company’s Trade Counter (outlets) network and website.

### Review of the business and future developments

The Company’s total sales (from continuing operations) grew by 4.9% to £2,539.1m (2023/24: £2,419.8m), driven by resilient demand from trade customers.

The overall increase was achieved through the combined impact of the ongoing store opening programme and by growing sales in existing stores and online. The increase in like-for-like sales (2024/25 0.5% compared to 2023/24: 1.4%) was a result of higher average selling prices, driven by increases to the product costs and to cover increased operational costs, including staffing and energy.

The Company continued to broaden the range of products available to customers and now offer over 70,000 SKUs (stock keeping unit) (2023/24 59,000) either through stores, via the fulfilment centre or directly from suppliers.

The Screwfix Sprint service (offering delivery direct to home or site within one hour) has continued to expand and is now available in 485 stores, covering around 59% of UK postcodes. During the year, the proposition was advertised widely through television, radio, press, website and in-store campaigns, resulting in an increase in customer awareness and take up of the service.

Productivity improvements were realised during the year including the ongoing benefit of automated processes at the flagship logistics site in Trentham and process efficiencies in stores.

The macroeconomic climate has improved during the year and the annual CPI inflation has fallen from 4.0% in January 2024 to 3.0% in January 2025. However, interest rates remain high, which is affecting consumer confidence. As part of the Kingfisher plc group of companies (the “Group”), the Company is confident that it will effectively manage through the current period of economic uncertainty by being focussed on delivering value to our customers, leveraging the scale of Kingfisher to manage cost price inflation, ensuring competitive price index against competitors, as well as offering a leading range of own brands to provide customers with value options. The Company is also able to take advantage of the Group’s ability to support effective foreign exchange hedging. This provides protection against the volatility that has been seen in the currency markets, particularly with the US dollar due to a material amount of stock purchases made in USD.

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

Subsequently to acquiring SSL on 30th May, the Company made an equity injection of £3,042,500 into SSL on 1st July 2024 in order to ensure that SSL remained well capitalised and able to finance its ongoing activities. This equity injection increased the total share capital of SSL to £3,500,000 Ordinary shares at a £1 nominal value.

The Company has a plan to continue to open new stores over the coming years, to increase product lines available to customers and to make further investments in digital and distribution capabilities.

### Key performance indicators

The Company is a subsidiary of Kingfisher plc. 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 to 55.

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## Strategic Report (continued)

The Company had an increase in like-for-like sales of 0.5% (2023/24: 1.4%). Total sales (from continuing operations) grew by 4.9% to £2,539.1m (2023/24: £2,419.8m). FY25 saw a net increase of 29 new stores opened in the UK, bringing the total number of UK outlets as at 31 January 2025 to 912 (2023/24: 883).

Gross margin was 34.7% (2023/24: 35.0%) which was stable year on year. This was achieved through regular review of pricing to maintain competitiveness which enabled investment in promotions to grow market share during the year. Operating profit decreased by 3.3% from £220.4m in 2023/24 to £213.2m in 2024/25.

The increase in operating costs was driven by cost inflation, including year on year increases in staff. Furthermore, additional costs were added to the cost base by opening 31 new stores in year, combined with a full 12 months of operating costs for the 45 net new stores that opened at various times in the prior year. There was also additional spend on technology. These cost increases were partially offset through savings achieved by a cost reduction programme, focused on Retail and Logistics efficiencies.

The Company's profit before taxation amounted to £220.2m (2023/24: £241.0m). A decrease in operating profit and finance income resulted in a reduction in the profit after tax compared to the previous year. Profit after taxation was £163.8m (2023/24: £181.7m).

The above performance indicators are used to measure growth and profitability of the continuing operations, and to demonstrate that growth comes from both the Company's efforts to increase the efficiency of its sales channels as well as the growing number of Trade Counters. The source for the financial performance indicators are the financial statements which are reviewed monthly by the executive management board (the "Executive Board") comprising the executive management board members (the "Executives"). As part of its ongoing performance management the Company tightly manages its investment in working capital, balancing the need to ensure stock availability levels are sufficient to meet customer demand across the range while not over investing. The Company continues to focus on improving stock availability, ensuring that the right stock is in the right locations to meet customer demands. Inventory increased by 5.3% to £523.0m (2023/24: £496.7m) year on year. This was driven by a number of initiatives including opening of 31 new stores, range expansion and an increase in stock held to support greater availability. Additionally, there were external factors that contributed towards the increase in inventory levels as well. Specifically these factors were inflation and the mix of stock held due to the impact on shipping through the Red Sea.

### Principal risks and uncertainties

The Executive Board discusses the key business risks and uncertainties affecting the Company on a regular basis. The level of product demand and securing properties to meet the Trade Counter opening programme are critical in delivering growth. The level of product demand is impacted by macro-economic conditions and competition. Product demand is monitored through monthly rolling forecasts which factor the latest trends into supply chain planning procedures. The Trade Counter opening programme is monitored within fortnightly meetings which include relevant Executives. This close monitoring is due to its importance in delivering the overall strategy of the Company, however the risk of securing properties reduces throughout the year as new stores are successfully opened.

Other key risks and uncertainties include ongoing market conditions, competition and UK consumer confidence given the continued inflationary pressure in the economy. The Company is committed to continuing to manage gross margin effectively in an inflationary environment. The focus of the Company on leading on price competitiveness, for which it benefits from its Own Exclusive Brands and buying power, stands it in good stead in the face of a marketplace that continues to be challenging.

Since the end of the financial year there have been global economic shocks after changes to US policy on tariffs. The Company has a minimal exposure to this new emerging risk as it does not have any presence in the US market, nor does its supply chain extend into the US.

The oversight for certain risks such as climate change, human rights, anti-corruption and anti-bribery matters are undertaken at a Group level and consideration and required disclosures including the associated mitigation of these risks is 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 Group.

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## Strategic Report (continued)

As with all retailers, Cyber security and the threat of malicious attack is an ongoing risk, with methods of attack constantly evolving. The risk to business continuity, and to customers in the protection of their data is a key area of focus. The actions of our people and their 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 are required to undertake periodic training to maintain awareness of the risks. We have also introduced enhanced customer identification access management tools which include two factor authentication and one time pass codes.

### 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. These principles are adopted from Group policies and any exceptions are approved by the Finance Director and the Group.

As part of the Group, the Company's interest rate, liquidity and foreign exchange risks are managed centrally by the Group Treasury department who monitor and manage levels of debt finance and related finance costs.

A full description of these financial risk management policies is on pages 173 to 176 of the Kingfisher plc 2024/25 Annual Report.

### Economic risk

The Company faces the combined risks of low consumer confidence and increasing employment costs (e.g. UK National Living Wage increasing by c.6.7% pa and National Insurance reduced threshold). These factors are considered regularly as part of the executive board's decision-making process. To mitigate these factors, costs and selling prices are actively managed.

### Foreign Exchange Risk

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

### Interest Rate Risk

The Company's liquidity and funding is provided by its ultimate parent Kingfisher Plc and is funded via the Group's revolving credit facility as arranged by the Group's Treasury function. Hence the Company is reliant on the Group to manage this risk on its behalf and use its economies of scales to achieve a cheaper line of credit for the group than the Company could negotiate on its own.

### 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 of time 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, active stock governance and active management of aged debt on customer trade credit accounts.

### Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables and related party receivables.

The credit risk is attributable to the other members of the Group, since cash is regularly passed to the Group Treasury department and is offset infrequently by dividend declaration (last dividend declared and paid was £1bn on 27<sup>th</sup> July 2023). The mitigations to this risk are provided by the ultimate parent's oversight of all members in the group who monitor their financial performance and, whilst they are part of the Group, provide a guarantee to underwrite receivables balances that are owed. Other forms of mitigation include working closely with the businesses that owe the Company large receivables balances to ensure they remain successful ventures and they continue to trade on a going concern basis.

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## Strategic Report (continued)

The Company's credit risk (excluding credit extended to other members of the Group) is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Company has no significant concentration of credit risk, with exposure spread over 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 manage the cash-pool for the entire Group determining the level of debt required to fund the Group plan for repayment of debt at its maturity whilst 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 the Executive Board. The Company also has in place an Audit Committee and Ethics & Compliance Committee to support the Executive Board in the performance of its duties. Their respective responsibilities are clearly defined within the matters reserved to the legal board and the terms of reference of the Executive Board and its committees. The Executive Board's responsibilities include all operational matters and day-to-day running and management of the Company. The legal board is responsible for ensuring compliance with all applicable statutory and regulatory obligations, as well matters of corporate governance and financing arrangements. The legal board and Executive Board are expected to follow the Principles set out in the Framework 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 confirms it has complied with all Principles set out in the Framework in respect of the 2024/25 financial year.

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## Strategic Report (continued)

### 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 execution of the business strategy and related policies. The Directors and Executives 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 and Executives 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), 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.

#### Customer engagement

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 Executives receive 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. These are used to inform future investment decisions and identify key revenue drivers.

Customer feedback is of particular value when testing new and improved digital customer journeys both online and in store, as well as understanding the inflationary environment and economic challenges our customers face.

# Screwfix Direct Limited

## Strategic Report (continued)

### Employee engagement

The Directors and Executives 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 and Executives 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 Colleague Forums, Works' Councils and feedback chains to the Board to regular colleague engagement surveys. The Screwfix Connect intranet has regular articles and opportunities for employee feedback. Business announcements are also emailed to employees and a committee is in place to discuss and respond to employee feedback.

All employees are informed on matters of concern to them during the Quarterly Business Updates to which they are invited. These are led by the relevant functional Executive. These updates include financial and economic factors that affect the performance of the Company.

The Company consults with its employees through colleague forums and through employee engagement surveys.

Employees have the option of participating in the Group's 'Share Build' and 'Share Save' schemes that allows them to benefit from the Group's performance and align their long-term interests with that of the Company.

Kingfisher is committed to the well-being of employees and the plans for people and culture can be found on pages 164 to 168 of the Kingfisher Annual Report.

### Supplier engagement

The Board recognises that building and maintaining trusted partnerships with the Company's suppliers is fundamental to the long-term success of the business. It does not regularly engage directly with suppliers but receives frequent reporting from the business areas which interact directly with them. The Board considers the impact to suppliers when making key strategic decisions relating to product ranges or supply and logistics.

The Company engages with suppliers, to improve outcomes for them and the Company (business as usual) and to minimise supply chain impacts caused by changes to the trading environment post-pandemic.

### 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, healthier homes. The Company sells many energy, water and heat efficient products like lighting, taps and insulation to support this aspiration. An initiative implemented this year has been the introduction of "Green Star" where products in the online catalogue that have sustainable credentials are marked green star emblem so that customers can make a more environmentally based decision when shopping.

The Group is committed to specific environment-based targets, including using 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 246 to 279 of the 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 the Company works, from the way colleagues are treated, to the supply chain and the impact on the environment. The Company has clear policies to ensure a consistent best practice approach is taken.

All Company colleagues abide by the Kingfisher Code of Conduct (the "Code"), 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.

# Screwfix Direct Limited

## Strategic Report (continued)

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

The Directors and Executives remain confident about the future prospects for the business. The business will continue to expand to reach more customers through the Trade Counter opening programme, while also focusing on the growth of Trade Counter sales density. The business model continues to evolve, enhancing its multi-channel convenience credentials, through new formats and other propositions.

Current global demand for product has increased cost and competition within the supply of product for both domestic and imported stock. The Company continues to utilise the Group's size and scale to meet customers' needs in a cost effective manner.

The Company has maintained its investment in a subsidiary Company (Screwfix Direct (Ireland) Limited), which started operating a Trade Counter network and website in the Republic of Ireland in 2018, with continued Trade Counter driven growth during 2024/25 and further planned for 2025/26.

### Key Decisions Taken in the Financial Year

The Company has announced that it will continue to expand its presence by opening up to 35 new stores across the UK and Ireland by the of January 2026. Of these 35 new stores up to 30 will be the Screwfix 'City' format stores. This is a continuation of the new store opening strategy in FY24/25 in which the Company opened 7 City Stores.

Approved by the Board on 30<sup>th</sup> June 2025 and signed on its behalf by:

Signed by:  
  
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M Britten

Director