

# B&Q Limited

## Strategic report

for the year ended 31 January 2025

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The Directors present their strategic report on B&Q 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 home improvement products and related home improvement services in the United Kingdom.

### Results and Dividends

The profit before taxation amounted to £259.1m (2024: £188.8m) and profit after taxation amounted to £186.7m (2024: £135.5m). A dividend of £nil has been declared and paid in respect of the period (2024: £nil). The Directors do not propose any final dividend be paid.

In the period, included within the profit before tax was a net £25.1m "adjusting item" charge (2024: charge £13.9m) in relation to the impairment review of our assets and restructuring of our stores. Further details are contained within note 6 to the financial statements. Excluding the charge (2024: charge) from the period's performance would see the reported profit before tax of £259.1m (2024: £188.8m) move to a profit before tax and adjusting items of £284.2m (2024: £202.7m).

### Business review and future developments

B&Q total sales decreased by 0.8% to £3,685.9m. Given challenging market conditions, such as continued high inflation, sales have been robust.

B&Q opened one B&Q Local store and one small retail park store in FY24/25, and closed three retail stores.

The net asset position of the Company at 31 January 2025 was £2,480.6m (2024: £2,270.8m), showing an increase of £209.8m. This has mainly been driven by an increase in intercompany balances of £209.6m due to cash generated from operations and a reduction in lease liability due to a larger depreciation charge versus regears in the period.

During the year, the Company transitioned from reporting under FRS 102 to FRS 101 to align the statutory reporting process with the ultimate parent entity, Kingfisher plc. Current year and Prior year figures have been presented on an FRS 101 basis. A summary of the revised figures is presented in Note 30, with the principal adjustments relating to lease accounting under IFRS 16, as well as associated changes in depreciation and interest costs.

The financial statements of B&Q Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

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 'Better Homes. Better Lives. For Everyone', while addressing the many profitable growth opportunities we see in the home improvement market. During the year our New Decor Neutron and Kitchen Furniture Vitality updates were implemented in line with our purpose. Further details on the strategy are included in pages 6 - 8 of the 2024/25 Kingfisher plc Annual Report and Accounts.

We are well positioned to navigate FY25/26 and are targeting market share growth and a modest sales increase given the challenging economic conditions. Sales growth is planned to come through an ongoing review of our category offerings to ensure they are relevant and up-to-date, in addition to more efficient promotional planning and the expansion of our store base.

We are committed to active and responsive management of operating costs to partially offset higher staff, technology and energy costs. Specifically we continue to focus on efficiency opportunities within our operating model and logistics processes.

# B&Q Limited

## Strategic report (continued)

for the year ended 31 January 2025

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### Key performance indicators

The Directors monitor progress on the overall Company strategy by reference to two main KPIs which have been considered in the sections above. Performance during the period together with historical trend data is set out in the table below:

	2025	2024	2023	2022	2021
LFL* Sales growth/(decline)	(0.8)%	0.2%	(8.4)%	12.7%	13.0%
Adjusted PBIT**	£239.3m	£235.1m	£106.1m	£278.4m	£190.1m

The Directors have adopted Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) for the year ended 31 January 2025. Alternative Performance Measures (APMs), also termed non-GAAP measures, of historical or future financial performance, position or cash flows other than those defined or specified under FRS 101 have been adopted. These measures are not defined by FRS 101 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 101 measurements. These are the same APM's as prior years and have remained consistent year on year.

The sales growth trends in 2021 and 2022 were heavily impacted by the COVID pandemic driving a significant increase in the market for home improvement products linked to the lockdown and associated restrictions. This was followed by a market decline in 2023 as restrictions eased and broader economic impacts such as inflation and the cost of living crisis impacted demand for products. 2024 saw flatter sales performance with challenging market conditions being impacted by ongoing inflation with this continuing in 2025.

Adjusted PBIT trends have generally followed the sales trends, however inflationary impacts have been significant in the last year, specifically driven by the impacts of the national living wage driving an increase in wages & salaries, and the increasing cost of energy and utilities.

Please see pages 12 to 13 of the 2024/25 Kingfisher plc Annual Report and Accounts for details of financial and non-financial Key Performance Indicators for the Company and the Group.

*\* 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 adjusting items to give a view of underlying profitability of the operations.*

# B&Q Limited

## Strategic report (continued)

for the year ended 31 January 2025

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### 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).

The Company provides regular updates to all teams across the business which aim to set the tone and demonstrate how the senior leadership team role model our values, culture and ethical standards. Additional training is also provided to managers and leaders across the business to support educating teams on the values and culture at more local levels and embedding this into our ways of working. Annual compliance training is also required of all employees to ensure they are aware and compliant with our Code of Conduct.

The directors regularly review the business culture through listening groups, an employee engagement survey and reviews with the People Forum.

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. During the year, the Directors decided to transition its financial reporting framework from FRS 102 to FRS 101 Reduced Disclosure Framework. The impact of this transition can be found within Note 30 of the financial statements.

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), regulators & Government and 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.

# B&Q Limited

## Strategic report (continued)

for the year ended 31 January 2025

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

#### 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. These visits and briefings also ensure that colleagues are regularly kept up to date on the performance of the Company and key initiatives. 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 survey.

The Company's colleague forum (The B&Q People's Forum) met with the board four times during 2024/25 where ordinarily its meetings are held twice a year and an additional five occasions for discussions on organisational restructures. In addition, the Company has an Inclusivity Action Plan and Inclusion and Diversity (I&D) Affinity Groups. In light of the rising cost of living, the Board reviewed workforce pay proposals in April 2025. Via the people forum, the board take into account the impacts on colleagues of key business decisions and ensure that these are communicated in a clear and transparent way.

#### Suppliers

Building and maintaining 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.

# **B&Q Limited**

## **Strategic report (continued)**

**for the year ended 31 January 2025**

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

#### **Communities & Non-governmental organisations**

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 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.

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.

For further details on our work towards responsible business, see pages 26 - 29 of the 2024/25 Kingfisher plc Annual Report and Accounts.

#### **Regulators & Government**

The Board, in coordination with 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.

#### **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 2025

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

#### Principal risks and uncertainties

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

The other types of risks identified include systems and infrastructure, health and safety, employee risk, legal and regulatory (including GDPR, human rights, anti-corruption, anti-bribery) and business disruption.

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 60 - 65 of the 2024/25 Kingfisher plc Annual Report and Accounts.

#### Economic risk

The biggest economic risks facing the Company are weaker GDP growth in the UK, economic uncertainty and social unrest, higher wage inflation (e.g. UK National Living Wage c.+6.7% pa) and significant cost inflation. All these factors are under regular review and part of the decision making process.

These conditions also present economic uncertainty impacting UK consumer confidence. For further details of risk mitigation, please refer to page 60 of the 2024/25 Kingfisher plc Annual Report and Accounts.

#### 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 and regularly reviewing our category ranges and offerings.

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. We also continually monitor our price position and price perception vs competitors to ensure that we remain competitive whilst managing our gross margins.

# B&Q Limited

## Strategic report (continued)

for the year ended 31 January 2025

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

#### 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.

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.

# B&Q Limited

## Strategic report (continued)

for the year ended 31 January 2025

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

#### 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 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 at a rate of SONIA plus a margin and is managed through a central Kingfisher Treasury function (page 173 of the 2024/25 Kingfisher plc Annual Report and Accounts). 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.

#### 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.



# B&Q Limited

## Strategic report (continued)

for the year ended 31 January 2025

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

#### Legal & regulatory risk

Significant impact can result from failure to comply with Legal & Regulatory obligations including: i) Criminal and civil prosecution for both individuals and the company (imprisonment/unlimited fines); ii) Business suspension/bans; iii) Third party and class actions; iv) Significant brand damage.

B&Q has a number of governance and legal review processes in place to manage risk and needs to ensure that appropriate “horizon scanning” is performed to continue to allow the mitigation of any risk.

The B&Q marketplace has added some complexity and risk. In addition, there is increased focus on climate change related environmental regulations, including greenwashing and sustainability reporting requirements.

Governance and legal review processes are in place and will need to continually evolve. B&Q’s Legal and Compliance team has oversight of key risk areas and key incident management. Mandatory employee online training is in place covering key areas e.g. Competition Law, GDPR and Kingfisher Group Code of Conduct. A Local ethics and compliance committee has also been established with regular reporting on areas including compliance training, speak up cases and other compliance matters.

#### Business disruption

There is a risk that something unexpected and immediate hits the business, for example another pandemic, a war, severe weather, cyber-attacks or localised events that could impact our ability to operate. This could also include systems issues which impact our ability to perform transactional processes (e.g. making or receiving payments, ordering stock, running IT infrastructure). The Business needs to have effective and up to date business continuity plans to support dealing with business interruption, and these need to extend to our third-party service providers (e.g. logistics suppliers).

Business continuity plans are in place for all functions (including group teams) which have been reviewed. The plans have factored in learnings from the COVID pandemic of 2020 and have also recently been tested during a table-top exercise with the board. The plans include areas such as governance (crisis meetings and operational models), flexible store operating models, and communication plans.

#### Supply Chain Disruption

Our business necessitates a web of complex supply chains and fulfilment solutions which intrinsically creates a risk of major disruption such as capacity constraints, vendor disputes, trade constraints, vendor performance/business closure, agility, pandemic issues, natural disaster, industrial action, all of which would reduce the number of products available for sale.

An improved strategic vendor management process has been launched which has built stronger relationships with our strategic vendors and helps identify opportunities to improve maturity in terms of capability, agility, commitment, communication, and performance to mitigate potential disruption.

We are also continuing to explore and develop the ability to dual source products in collaboration with Kingfisher. This will become key in maintaining continuity of supply in the event of incidents.

#### Events after the balance sheet date

Subsequent to the balance sheet date of 31 January 2025, there have been no events, either favourable or unfavourable, that would require adjustment or disclosure in the accompanying financial statements.

# **B&Q Limited**

## **Strategic report (continued)**

**for the year ended 31 January 2025**

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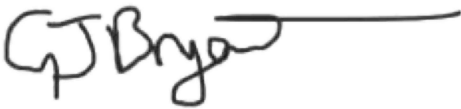
### **Section 172(1) statement (continued)**

#### **Non-financial and sustainability information statement**

All sustainability reporting has been included within the consolidated accounts of the group, which can be found on pages 25 - 46 of the 2024/25 Kingfisher plc Annual Report and Accounts.

#### **Approval**

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'G Bryant', followed by a long horizontal line extending to the right.

**G Bryant**

Director

Date: 16 September 2025