

# Kingfisher Information Technology Services (UK) Limited

## Strategic report for the year ended 31 January 2023

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

### Principal activities

Kingfisher Information Technology Services (UK) Limited ("the Company" or "KITS") is responsible for the provision of IT services, application development, application maintenance and other related areas to wholly owned subsidiaries of Kingfisher plc. Where appropriate, KITS has also taken control of all assets and resources, including people and third party supply contracts, required for the provision of these services.

### Review of the business

During the year ended 31 January 2023 the Company made a profit before taxation of £8,172k (2021/22: £12,938k).

Cost of sales increased from the prior year due to the Company undertaking higher project activity on behalf of the Kingfisher Group. This increase in activity resulted in higher depreciation as well as increased operational costs incurred to provide our service. Sales represent amounts recharged to fellow subsidiaries and therefore this has increased in line with underlying costs. Profit before tax has decreased on the prior year due to higher admin costs and interest rates.

Ongoing operational performance of the Company is measured internally by the use of service level agreements (SLAs). On average the Company met its SLAs 97.49% (2021/22: 98.50%) of the time across the year, delivering average service availability of 99.95%. SLA compliance dipped in the year, mainly driven by increased pace of change and disruption in third party suppliers. The target will continue to be measured with the aim of achieving an average of 98.38% SLA compliance for all companies and functions in the group.

Project activity continued during the year with work on a major project which aims to transform the multichannel offering of the group. During the year, 624 (2021/22: 644) different projects were worked on, of which 269 (2021/22: 397) projects were started in this period. 258 (2021/22: 85) projects went live with additions totalling £139,149k (2021/22: £107,885k) as shown in notes 10 and 11. This demonstrates the continued value of the Company in delivering appropriate IT solutions in response to the needs of the subsidiaries of Kingfisher plc.

### Key performance indicators ("KPIs")

The Directors of KITS manage the Company's operations on a divisional basis. The key performance indicators include SLA performance, as noted above, achieving key project milestones and controlling the cost base. The development, performance and position of the consolidated Kingfisher Group, which includes the Company, is discussed in the Kingfisher plc annual report and accounts which does not form part of this report.

Achieving project milestones is a key measure of success for Kingfisher IT. Delivering projects within budget, on time and to the right quality gives Kingfisher a technology platform for success. As noted above, there were a number of projects completed in the year.

Controlling the cost base is another key indicator for the business. These costs totalling £351,678k (2021/22: £299,757k) are recharged to the other Kingfisher subsidiaries. The cost has increased from previous year, with a large increase in revenue expenditure and consultancy fees year on year, which is largely driven by increased activity.

### Principal risks and uncertainties

The Directors have performed a review of the key business risks that could impact the company and consider the more significant risks to be those outlined below. The Directors regularly review these risks and assess the adequacy and effectiveness of mitigating controls and strategies.

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### Meeting the needs of the Kingfisher Strategy

Kingfisher's business strategy has continued with the same business operating model as previous years. As part of this work there were a number of key priorities that continued to be delivered to achieve the long-term goals of the Kingfisher Group. This set of changes required the IT team to ensure the capabilities are in place to deliver not only the key initiatives, but also to maintain the day-to-day service levels. The Kingfisher IT ways of working of the business are flexible to changing demand and there is also a clear approach to regular communication to ensure the priorities are clear with regular updates on the business strategy and company performance.

### IT delivery

Technology is key to enabling our strategy, meeting customer needs and growing the business. The current delivery pipeline is significant and our legacy systems architecture remains complex. If not managed carefully we will fail to deliver robust new platforms from which to build on, disrupting our ability to adopt emerging technologies and deliver value as well as flexibility.

### IT legacy

The Company operates with a significant amount of legacy software, operating systems and hardware, creating challenges to maintain high levels of service, keep the environment secure and support new business initiatives. We continue to review the software and hardware being used and we will take steps to upgrade where appropriate.

### Cyber-attack and protection of data

Cyber-attacks and security incidents have increased in recent years and the retail sector has joined a number of industry sectors as a target due to it becoming more data driven. There have been several high-profile attacks in recent times on other businesses that have had an impact on operations, profitability and reputation demonstrating the requirement to not only protect data but have the ability to detect breaches and respond accordingly.

### Regulatory change

The regulatory landscape for retailers is changing rapidly due to increased use and advancement of technology and data coinciding with a changing political landscape, this will have an impact on the way we do business and operate IT in the future. We review any changes to regulations and ensure that our technology follows this.

### IT resources

Supporting the business to achieve its objectives and to meet a customer focused technology service will require the evolution of the Technology Operating Model, new capability, culture and ways of working will need to be embedded to ensure activation of the operating model.

### Financial risk management

The Company's operations expose it to a variety of financial risks which include interest rate risk, liquidity risk, credit risk and foreign currency risk.

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 a risk management programme in place that seeks to limit the adverse effects on the financial performance of the Company by monitoring levels of debt finance and related finance costs.

### Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts when they fall due. All of the Company's trade debtors are amounts due from Kingfisher plc group companies; therefore the Directors believe that the credit risk for the Company is low.

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### Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. The Directors are satisfied that the Company is not subject to significant liquidity risk due to continued funding from the ultimate parent company.

### Foreign currency risk

The Company is exposed to foreign currency risk on the recharge of IT services received from some group undertakings, principally in Euros. The recharge is not a significant part of the core business and therefore the Directors are satisfied that the foreign currency risk of the Company is mitigated.

### S.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 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 Kingfisher Information Technology Services (UK) Limited is to provide IT services, application development, application maintenance and other services (such as human resources, finance and legal 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 and 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.

We find 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.

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.

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### S.172(1) and stakeholder engagement statement (continued)

#### Colleagues

Our colleagues continue to remain apprised of pertinent developments in relation to the Company's commercial operating model, remote working policy, wellness campaigns and inclusive Company commitments via a mix of communication channels and management updates. This has included virtual Team live events, e-newsletter updates, vlogs, and posts on the Company's SharePoint intranet. Mandatory training has also continued to be rolled out to all employees via improved materials and learning examples.

#### Suppliers

The Company continues to regularly evaluate and improve its interactions with suppliers.

The Company is statutorily required to report on its supplier payment practices and to review statistics quarterly reflecting the proportion of invoices paid late according to agreed terms.

#### Customers

Customer satisfaction is pivotal to the success of our business with the customers being other members within the Group structure. The needs, behaviours and feedback of our customers are collected, assessed, and used to develop our long-term strategy and to help us better understand our customers' requirements.

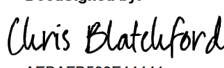
#### Future developments

The Directors remain focused on continually improving the delivery of IT services and value adding projects to the Kingfisher plc group companies. For the Company, this requires continual focus on the core IT platforms and functionality to allow the Group to continue to trade across all retail platforms, including via e-commerce. The technology environment receives an increasing focus and therefore the roadmap for the business is regularly assessed to ensure trading can prosper as well as building a secure network for the future.

#### Events after the balance sheet date

Details of events after the balance sheet date can be found in the Directors' report on page 7.

Approved by the Board and signed on its behalf by:

DocuSigned by:  
  
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C Blatchford  
Director  
25 October 2023