

Kingfisher Information Technology Services (UK) Limited

Directors' report for the year ended 31 January 2020

The Directors present their annual report and audited financial statements of Kingfisher Information Technology Services (UK) Limited for the year ended 31 January 2020.

Results and dividends

The loss after taxation for the financial year amounted to £15,320,000 (2018/19: £263,000 profit). The Directors do not recommend the payment of a dividend for the financial year (2018/19: £nil). The loss for the financial year has been transferred to reserves.

Future developments

Details of future developments can be found in the Strategic report on page 3.

Events after the balance sheet date

Following the Covid-19 outbreak in Asia, Kingfisher formed central and retail business crisis committees in January 2020 to monitor and manage risks and impacts of Covid-19. These committees continue to monitor closely the impact on all areas of our business, as well as ensuring publicly available advice is followed and that appropriate safeguards are quickly implemented. From the start of the outbreak, Kingfisher has taken measures to protect its colleagues and customers, to support governments across its markets, to be a responsible employer, to limit the impact on profitability and to preserve financial flexibility.

With the decision to close in-store trading in UK and France, the technology environment was key to maintaining Kingfisher trading. As a result, the company quickly adapted to the operating model to help meet customers' essential needs safely, initially through contactless click and collect and home delivery. The sharp increase in e-commerce meant that IT functionality was paramount to meet the customer demands by maintaining accessibility. As a result, the carrying value of the balance sheet has been considered and there have been no adjustments made as a result of Covid-19. The provision of IT services to the Kingfisher entities continues to be the focus for the company.

Research and development

During the year £74,840,000 (2018/19: £70,657,000) was spent on development of which £102,070 (2018/19: £134,000) related to early development activities that did not qualify for capitalisation.

Going concern

Notwithstanding net current liabilities of £191,423,000 as at 31 January 2020, the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors assess that the company will have sufficient funds, through funding from its ultimate parent company to meet its liabilities as they fall due. This assessment is dependent on Kingfisher plc not seeking repayment of the amounts currently due to the group, which as 31 January 2020 amounted to £189,938,000 and providing additional financial support. Kingfisher plc has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amount due at the balance sheet date, for the 12 months from the date of approval on the financial statements.

The Directors of Kingfisher Information Technology Services (UK) Limited, having made appropriate enquiries in particular in light of the unprecedented circumstances that have arisen since the outbreak of the Covid-19 pandemic, consider that adequate resources exist for the company to continue in operational existence and that, therefore, it is appropriate to adopt the going concern basis in preparing the financial statements for the year ended 31 January 2020. Furthermore, the Directors have concluded that there is not a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern.

Financial risk management objectives and policies

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.

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Directors' report for the year ended 31 January 2020 (continued)

Financial risk management objectives and policies (continued)

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.

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.

The company is exposed to foreign currency risk on the recharge of IT services received from a group undertaking, principally 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 of the Act.

The Directors acknowledge that every decision they make will not necessarily result in a positive outcome for all of our stakeholders. By considering the company's purpose, vision, values together with its strategic priorities and having a process in place for decision-making, they do, however, aim to make sure that their decisions are consistent and predictable.

As is normal for large companies and particularly those that are part of a wider Group of entities, such as Kingfisher Information Technology Services (UK) Limited, the 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. We review financial and operational performance at every Board meeting. We also review other areas over the course of the financial year including the company's business strategy, key risks and governance, compliance and legal matters. This is done through the consideration and discussion of reports presented to the Board.

The company's key stakeholders are its workforce, customers and suppliers. The views of and the impact of the company's activities on those stakeholders are an important consideration for the Directors when making relevant decisions. While there are cases where the board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both our stakeholders and the Kingfisher Group means that generally our stakeholder engagement best takes place at an operational or Group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For details on some of the engagement that takes place with the company's stakeholders so as to encourage the Directors to understand the issues to which they must have regard please see pages 18 to 19 and 56 to 57 of the Kingfisher plc 2019/20 Annual Report and Accounts.

During the period we received information to help us understand the interests and views of the company's key stakeholders and other relevant factors when making decisions. 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). As a result of this we have had an overview of engagement with stakeholders and other relevant factors which allows us to understand the nature of the stakeholders' concerns and to comply with our section 172 duty to promote success of the company. For examples of how that engagement has influenced our decisions please see pages 56 and 57 of the Kingfisher plc 2019/20 Annual Report and Accounts.

We set out below some examples of how we have had regard to the matters set out in section 172(1) (a) - (f) when discharging our section 172 duty and the effect of that on decisions taken by us.

We have continuously evaluated how best to mitigate retention risk amongst our workforce, and in our evaluations have had regard to the social and economic context of our business as well as available levers to drive colleague engagement. We have monitored labour turnover versus industry standard at regular intervals.

In this period, the company was statutorily required for the first time to report on its supplier payment practices and thus started to review statistics quarterly reflecting the proportion of invoices paid late according to agreed terms. We instigated functional reporting to identify bottlenecks and specific issues and we identified key suppliers to focus attention on to ensure we paid invoices within the agreed terms.

The company launched a mandatory online training module to all employees on its updated Code of Conduct, covering business ethics and integrity. Completion rates were monitored and reported by function and persistent non-completion escalated to functional management.

Kingfisher Information Technology Services (UK) Limited

Directors' report for the year ended 31 January 2020 (continued)

Directors

The Directors, who served throughout the year and to the date of signing of these financial statements except as noted, were as follows:

A Godwin	(resigned 3 July 2020)
A Wolfe	
D Haycocks	
D Palmer	
G Porter	
N Jones	
E Bosmans	(resigned 14 June 2019)
S Willett	(resigned 31 March 2019)
J Glenn	(appointed 11 June 2020)
S Jones	(appointed 11 June 2020)
S Wherry	(appointed 11 June 2020)
R Dajksler	(appointed 14 July 2020)
P Moore (Secretary)	

Equal Opportunities

The company is committed to equal opportunities in employment and creating a workplace where everyone is treated with fairness, dignity and respect. It is our policy to ensure that all employees are treated no less favourably on the grounds of disability and are not subject to unlawful discrimination. This policy applies to all aspects of employment including recruitment and selection processes, opportunities for training, development and promotion, and terms and conditions of employment. Through its policies, the company ensures that entry into, and progression within, the company is based solely on personal ability and competence to meet set job criteria. The company ensures that all our employment policies, practices and procedures are accessible for disabled people, providing reasonable adjustment where appropriate.

Employee consultation

The company operates a policy of direct and systematic communication on all relevant matters including the company's business performance and current market issues with employees via several channels of communication, including engagement surveys, briefing groups, employee forums and internal newsletters. Senior management hold quarterly briefing sessions with employees where the financial results of both the company and Kingfisher plc are discussed, along with the economic factors that may impact the performance of the company and the group. In addition, Kingfisher plc's intranet systems are used to communicate results announcements for the group and to distribute information about other important business developments. All employees are entitled to participate in a savings related share option scheme operated by Kingfisher plc, the parent undertaking, regardless of number of hours worked, provided they meet certain service conditions. In addition, all employees are entitled to participate in the annual bonus scheme.

Appointment of Auditor

Deloitte LLP will continue to hold office in accordance with section 475 of the Companies Act 2006.

Statement of disclosure of information to Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

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Directors' report for the year ended 31 January 2020 (continued)

Statement of Directors' responsibilities

The following statement, which should be read in conjunction with the independent auditors report, is made with a view to distinguishing for shareholders the responsibilities of the Directors and the auditors in relation to these financial statements.

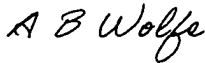
The Directors are responsible for preparing the Annual Report including the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom General Accepted Accounting Practice (UK Accounting Standards and Applicable Law), including Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

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

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

Approved by the Board and signed on its behalf by:



A Wolfe
Director
21 September 2020