

Kingfisher Information Technology Services (UK) Limited

Strategic report for the year ended 31 January 2025

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 2025, the Company made a profit before taxation of £6,847k (2023/24: £11,691k).

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 at a mark up on cost of sales and gross profit is consistent with this.

Ongoing operational performance of the Company is measured internally by the use of service level agreements (SLAs). On average, SLAs were achieved 98.76% (2023/24: 99.30%) of the time, and across our key ecommerce platforms, average services availability achieved 99.81% (2023/24: 99.95%). Key areas of improvements include reduction in the number of service disruptions caused by our planned changes, and continued focus on our shared services.

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, 437 (2023/4: 521) different projects were worked on, of which 391 (2023/24: 137) projects were started in this period, driven by activity in the year. 216 (2023/24: 273) projects went live with additions totalling £85,479k (2023/24: £94,858k) 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.

In September 2023, the Company commenced formal consultation with employee representatives regarding its proposal to implement a new operating model of the restructure. A pre-tax charge of £4,985k (2023/24: £8,364k) has been recognised in the current year, predominantly related to redundancy costs. Remaining costs associated to the restructure are expected to be incurred within the next 12 months.

During the year, the Group announced the sale of its Brico Dépôt Romania business. The sale was agreed on 18 December 2024, and is completed during the first half of 2025/26. A pre-tax charge of £3,917k (2023/24: £nil) has been recognised in the current year, which predominately relates to impairment of assets associated with Brico Dépôt Romania.

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. This cost base is made up, in the majority, of employee costs, external contractor costs, depreciation, licence fees and revenue expenditure. 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.

Controlling the cost base is another key indicator for the business. These costs totalling £421,788 (2023/24: £406,453k) are recharged to the other Kingfisher subsidiaries. The cost has increased from previous year, with a large increase in amortisation (note 7) and adjusting items as a result of the restructuring described above (note 5).

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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.

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. We commissioned a third party to provide a programme assurance assessment in November 2024, and we are implementing the findings to accelerate the ATG Programme.

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 continue to increase, with significant impact to the retail sector recently. We continue to attend a number of industry sector cyber security group to bring in external lessons into our plans and practices in the protection of our technology and data. The recent high-profile attacks on other companies in our sector have had an impact on their operations, profitability and reputation. This demonstrates the requirement to not only protect data but have the ability to respond and recover in quick timeframes to maintain operations.

Regulatory change

The regulatory landscape for retailers continues to change, with countries taking longer to understand and respond to EU directives. The increased use and advancement of technology and increased volumes of data coinciding with a changing political landscape has 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

The Company supports the business to achieve its objectives and to meet a customer focused technology service. New capability and an evolution of the culture and ways of working will need to be embedded to ensure activation of the Technology 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.

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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.

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 from third parties, in relation to US Dollars, and 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. 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.

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.

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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. Business relationships with suppliers are managed by the Directors, providing a direct line of communication for receiving feedback and resolving issues, and where appropriate, reporting the outcome of engagement and any issues to the Company. The Company considers a resilient supply chain to be key to our business and the achievement of our strategic objectives. New suppliers are subject to due diligence checks and must comply with our Code of Conduct to ensure that no reputational or legal issues would arise from engaging with that counterparty.

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.

Regulators and Government

The technologies of the Company's products are evolving day by day, as are its ways of consuming. European and National regulations are also constantly evolving to guarantee and improve the safety of markets, end customers and the environment. Sustainable development is a key theme running through many proposed regulations. The Company's regulatory department works in collaboration with the authorities to consult on new regulatory texts, and then monitor their proper application. This is done to influence as much as possible legislative outcomes which are both practical and economic for retailers and to minimise UK-EU divergence, in the interest of trade. The Company recently worked on the new EU General Product Safety Regulation which increases the safety of the Company's customers and the environment and sets new rules for Marketplace. Management are currently working very closely on the new EU Batteries regulation, the update of the EcoDesign Regulation (ESPR), the European Right to Repair regulation, but also, in particular, the French AGECE law, EU and UK REACH, EU CLP and the UK Regulatory Reform initiative.

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

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.

The Directors expect the activities of the Company to be consistent with the current year for the foreseeable future.

Approved by the Board on Jul 29, 2025 and signed on its behalf by:

Signed by:

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C Blatchford
Director