

Kingfisher Information Technology Services (UK) Limited

Directors' report and financial statements

Year ended 28 January 2012

Registered number. 02016021

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Kingfisher Information Technology Services (UK) Limited

Contents Page

Directors' report for the year ended 28 January 2012	2
Independent auditor's report to the members of Kingfisher Information Technology Services (UK) Limited	7
Profit and loss account for the year ended 28 January 2012	9
Statement of total recognised gains and losses for the year ended 28 January 2012	10
Balance sheet as at 28 January 2012	11
Notes to the financial statements - Year ended 28 January 2012	12

Kingfisher Information Technology Services (UK) Limited

Directors' report for the year ended 28 January 2012

The directors present their report and the audited financial statements of the company for the year ended 28 January 2012

Principal activities

The company is solely responsible for the provision of IT services, application development, application maintenance and other related areas to wholly owned subsidiaries of Kingfisher plc and where appropriate has also taken control of all assets and resources, including people and third party supply contracts, required for the provision of these services

Business review

The company is a wholly owned subsidiary of Kingfisher plc. The review of the business of Kingfisher plc and its subsidiaries, which provides a comprehensive analysis of the main trends and factors likely to affect the development, performance and position of the company can be found on pages 11 to 20 of Kingfisher plc's Annual Report and Accounts 2012

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.

Reliance on key infrastructure locations and systems failures

All of our operations are vulnerable to damage or interruption from floods, fires, power loss, telecommunications failures and similar events. Disaster recovery and business continuity plans are in place to prevent loss of interruption to key IT services provided to the Kingfisher operating companies.

Key suppliers

Certain parts of our services are reliant upon a small number of key suppliers and we are dependent upon the performance, service and reliability of operating systems, middleware, databases and similar software infrastructure obtained from third party providers. This exposes the company to the risks of those third party applications which may suffer defects or errors which could adversely affect the performance of the products and services that we offer to the group operating companies. As such, all suppliers chosen have stable strategies that produce a mutually beneficial relationship that is carefully managed by both parties.

Kingfisher Information Technology Services (UK) Limited

Directors' report for the year ended 28 January 2012 (continued)

Principal risks and uncertainties (continued)

Data security

There is a risk that the integrity and security of key data is compromised which may result in prosecution by regulatory bodies, fines from trade and industry bodies and significant damage to brand perception for the Kingfisher Group. This risk is mitigated by ensuring that the company follows the guidelines and legislative requirements in this area.

People

The company is reliant on the capabilities, skills, knowledge and experience of its employees and management team to support the development of our applications and infrastructure and deliver high quality IT services to the group operating companies. As such the company is committed to ensuring that its people are appraised regularly, are given individual development plans and other incentive packages.

Future developments

The directors remain focussed on continually improving the delivery of IT services and value adding projects to the Kingfisher plc group companies.

Going concern

At the year end, the company has net current liabilities of £50,628,000 and net assets of £91,842,000. The directors have received a letter of support from the ultimate parent company and thus continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the accounting policies note to the financial statements.

Key performance indicators ("KPIs")

The directors of Kingfisher Information Technology Services (UK) Ltd manage the company's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Kingfisher Information Technology Services (UK) Ltd. The development, performance and position of the retail division of Kingfisher plc, which includes the company, is discussed on page 4 to 5 of the group's annual report which does not form part of this report.

Results and dividends

The profit after taxation for the financial year amounted to £4,390,000 (2011: £50,000). The directors do not recommend the payment of a dividend for the financial year (2011: £nil). The profit for the financial year has been recognised in reserves.

Kingfisher Information Technology Services (UK) Limited

Directors' report for the year ended 28 January 2012 (continued)

Financial risk management

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

Interest rate risk arises from the treasury account balance with Kingfisher plc that bears interest at LIBOR plus a margin. 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.

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.

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. This risk is offset by the recharge of IT services to other group undertakings in Euros. The directors are satisfied that the foreign currency risk of the company is low in line with the other disclosures provided.

Directors

The directors who held office during the year and up to the date of signing the financial statements are given as follows:

M Bell

I M Cheshire

N Folland (resigned 1 June 2012)

D Paramor

RCF Wardle (appointed 1 June 2012)

Qualifying third party indemnity provisions

As at the date of this report, indemnities that are 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006 are in force under which Kingfisher plc has agreed to indemnify all directors and officers to the extent permitted by law, in respect of all losses arising out of, or in connection with the execution of their powers, duties and responsibilities, as a director of Kingfisher plc or any of its subsidiaries. Such indemnities were also in force in respect of each person who was a director of Kingfisher plc at any time during the financial year ended 28 January 2012.

Kingfisher Information Technology Services (UK) Limited

Directors' report for the year ended 28 January 2012 (continued)

Employees

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 the 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.

Applications for employment by disabled persons are always fully considered bearing in mind the aptitudes and abilities of the applicants concerned. In the event of employees becoming disabled, every effort is made to ensure their employment with the company continues and reasonable adjustments are made. All employment policies are fair and equitable to ensure that entry into, and progression within, the company is based solely on personal ability and competence to meet set job criteria.

Creditor payment policy

The company negotiates specific payment terms with each supplier. It is the company's policy to pay its suppliers in accordance with the terms which have been agreed. At 28 January 2012, the company's trade creditors represented 18.9 days of trade purchases (2011: 31.4 days).

Disclosure of information to auditor

Each person who is a director at the date of approval of this report and financial statements confirms that so far as he is aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all steps that he ought to have taken as a director 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.

Kingfisher Information Technology Services (UK) Limited

Directors' report for the year ended 28 January 2012 (continued)

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the annual report and 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, 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 proper accounting records that 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.

Appointment of auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and arrangements have been put in place for them to be deemed reappointed in the absence of an Annual General Meeting.

On behalf of the board



K Hudson
Secretary

11th July 2012

Independent auditor's report to the members of Kingfisher Information Technology Services (UK) Limited

We have audited the financial statements of Kingfisher Information Technology Services (UK) Limited for the year ended 28 January 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and the auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 28 January 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

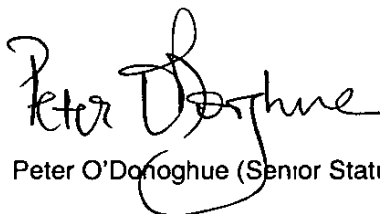
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent auditor's report to the members of Kingfisher Information
Technology Services (UK) Limited (continued)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Peter O'Donoghue (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

11th July 2012

Kingfisher Information Technology Services (UK) Limited

Profit and loss account for the year ended 28 January 2012

		2012	2011
	Note	£000	£000
Turnover		135,111	126,302
Cost of sales			
Excluding impairment and loss on disposal of fixed assets		(111,961)	(108,023)
Loss on disposal of fixed assets		(638)	-
Impairment of fixed assets		(1,994)	(625)
Cost of sales including impairment and loss on disposal of fixed assets	2	(114,593)	(108,648)
Gross profit		20,518	17,654
Administrative expenses		(15,654)	(14,919)
Other operating income		-	57
Profit on ordinary activities before interest		4,864	2,792
Net interest payable and similar charges	4	(372)	(21)
Other finance income/(charges)	5	631	(317)
Profit on ordinary activities before taxation	3	5,123	2,454
Tax on profit on ordinary activities	7	(733)	(2,404)
Profit for the financial year	15	4,390	50

All of the above transactions relate to continuing operations

Kingfisher Information Technology Services (UK) Limited

Statement of total recognised gains and losses for the year ended 28 January 2012

		2012	2011
	Note	£000	£000
Profit for the financial year		4,390	50
Actuarial gain on pension scheme	17	1,270	8,103
Deferred tax on actuarial gain on pension scheme		(335)	(2,269)
Current tax on special pension contributions		1,689	-
Deferred tax on special pension contributions		(1,689)	-
Effect of restatement of deferred tax at 25% (2011 27%)		114	81
Adjustment in respect of prior years deferred tax		34	-
Total recognised gains relating to the year		5,473	5,965

Kingfisher Information Technology Services (UK) Limited

Balance sheet as at 28 January 2012

		2012	2011
	Note	£000	£000
Fixed assets			
Tangible assets	8	134,083	87,076
Current assets			
Debtors	9	28,115	32,881
Creditors – amounts falling due within one year	10	(78,743)	(35,852)
Net current liabilities		(50,628)	(2,971)
Total assets less current liabilities		83,455	84,105
Creditors – amounts falling due after more than one year	11	(796)	(579)
Net assets excluding pension surplus/ (deficit)		82,659	83,526
Pension surplus	17	9,183	2,843
Net assets		91,842	86,369
Capital and reserves			
Called up share capital	14	100,000	100,000
Profit and loss account	15	(8,158)	(13,631)
Total shareholder's funds	16	91,842	86,369

The financial statements on pages 9 to 31 were approved by the board of directors on 9th July 2012 and were signed on its behalf by



M Bell
Director
11th July 2012

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements – Year ended 28 January 2012

1 Accounting policies

The principal accounting policies of the company are as follows. They have all been applied consistently throughout the year and the preceding year, unless otherwise stated.

(a) Basis of accounting

The financial statements of the company are made up to the nearest Saturday to 31 January. The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with applicable Accounting Standards in the United Kingdom. The financial statements are prepared in accordance with the Companies Act 2006.

The company is exempt under FRS 1 'Cash flow statements' (Revised 1996) from the requirement to publish a cash flow statement, as it is a subsidiary undertaking where more than 90% of the voting rights are controlled within the group, and the consolidated financial statements in which it is included are publicly available. Details of how to obtain a copy of these financial statements are given in note 20 on page 31.

Going concern

The company's business activities and principal risks, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 2 to 6. After considering the uncertain current economic outlook, the directors have no reason to believe that a material uncertainty exists that may cast significant doubt on the ability of the company to continue as a going concern and have reasonable expectations that the company will continue in operational existence for the foreseeable future. The directors of the company's ultimate parent company, Kingfisher plc, have provided a letter confirming their support in the continuing operations of the company. For this reason they continue to adopt the going concern basis of accounting in preparing these financial statements.

(b) Turnover

Turnover represents the recharge of IT services to companies within the Kingfisher group. It comprises the recharge of all IT operating costs and overheads. Revenue relating to the delivery of IT services and projects to companies within the Kingfisher group is recognised at the point when the service is provided.

(c) Cost of sales

Cost of sales represents the expenditure attributable to directly supporting and maintaining the IT hardware and applications of the group and project support costs.

(d) Finance income and costs

Finance income is recognised as income in the period in which it is earned. Finance costs are recognised as an expense in the period in which they are incurred.

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements – Year ended 28 January 2012

1 Accounting policies (continued)

(e) Tangible fixed assets

Tangible fixed assets are stated at original historical cost less accumulated depreciation and impairments. The cost of tangible fixed assets is their purchase price, plus any incidental expenses of acquisition.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised over their useful estimated economic lives of two to eight years.

Costs that are directly associated with the production of identifiable and unique software products controlled by the company, which are expected to generate economic benefits exceeding costs beyond one year, are recognised as tangible assets.

Direct costs include software development, employee and consultancy costs and an appropriate portion of relevant overheads. Costs associated with identifying, sourcing, evaluating or maintaining computer software are recognised as an expense as incurred.

Depreciation

Depreciation is provided at the following annual rates in order to write down to estimated residual value the cost of each asset over its estimated useful life:

Fixtures, fittings and equipment	between 7% and 33%
Computer hardware and software	between 13% and 50%

During the year the useful economic lives of certain hardware and software assets were reassessed and subsequently increased to ensure that the policy reflected the actual useful life of IT assets. The impact on these financial statements is a reduction in the depreciation charge of £4,243,000.

No depreciation is charged on assets in the course of construction.

Impairment

Computer hardware and software, fixtures, fittings and equipment and assets under construction are reviewed for impairment annually. Impairment reviews are undertaken by a senior finance manager in conjunction with senior managers from the IT operations and projects functions of the company. In an impairment test, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of the fair value less costs to sell and the value in use to the company. Any impairment in value is charged to the profit and loss account in the period in which it occurs.

Disposal

The gain or loss arising on disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements – Year ended 28 January 2012

1 Accounting policies (continued)

(f) Taxation

Corporation tax payable is provided on taxable profits at the current rate

(g) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis

(h) Pensions

Defined contribution scheme

The Kingfisher Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge disclosed in note 17 represents contributions payable by the company to the fund

Defined benefit scheme

The company is one of a number of group companies that participate in the Kingfisher Pension scheme which is a defined benefit scheme

The Kingfisher Group operates a defined benefit pension scheme for the benefit of the majority of its employees, the assets of which are held separately from those of the company in independently administered funds

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the group's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses

In accordance with 'FRS 17 – Retirement benefits', the operating and financial costs of pension and other post-retirement benefits are recognised separately in the profit and loss account. Current service costs are recognised within operating profit

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements – Year ended 28 January 2012

1 Accounting policies (continued)

(i) Finance and operating leases

Where assets are financed by leasing agreements which give rights approximating to ownership, the assets are treated as if they have been purchased outright. The amount capitalised is the lower of the fair value or the present value of the minimum lease payments during the lease term at the inception of the lease. The assets are depreciated over the shorter of the lease term or their useful economic life. Obligations relating to finance leases, net of finance charges in respect of future periods, are included, as appropriate, under borrowings due within or after one year. The finance charge element of rentals is charged to finance costs in the income statement over the lease term.

All other leases are operating leases and the rental payments are charged to the profit and loss account in the period to which the payments relate.

(j) Financial instruments

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

(k) Deferred income

Income received in advance for projects that have not yet completed is recognised on the company's balance sheet and released to the profit and loss account when the costs for the relevant phase of the project are incurred.

(l) Share based payments

The company participates in several equity-settled, share-based compensation plans. The rights for each of the instruments is granted by the ultimate parent company, Kingfisher plc, and settled by shares in Kingfisher plc. These schemes are treated, for accounting purposes, as equity-settled arrangements. As a result, an expense is charged to profit and loss with the corresponding entry to accrued liabilities. On vesting of the individual arrangements, the employee obligation is settled by Kingfisher plc and the company is recharged the fair value of the award.

The fair value of the employee services received in exchange for the grant of options or deferred shares is recognised as an expense, and is calculated primarily using Black Scholes and stochastic models. The value of the charge is adjusted to reflect expected and actual levels of options vesting. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or deferred shares granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

At each balance sheet date, the company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit and loss, with a corresponding adjustment to accruals over the remaining vesting period.

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements – Year ended 28 January 2012

1 Accounting policies (continued)

(m) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Sterling at the exchange rate prevailing on the date of transaction or, for practical reasons, at average monthly rates where exchange rates do not fluctuate significantly. Exchange gains and losses are taken into account in arriving at the operating profit in the year in which they arise.

2 Turnover and cost of sales

Turnover originates entirely from the United Kingdom and is derived wholly from the recharge of IT services to companies within the Kingfisher Group.

3 Profit on ordinary activities before taxation

	2012 £000	2011 £000
Profit on ordinary activities before taxation is stated after charging		
Depreciation – owned assets	20,975	23,010
Depreciation – finance leases	328	79
Loss on disposal of fixed assets	638	-
Impairment losses on fixed assets	1,994	625
Auditor's remuneration – audit services	10	10
Staff costs	17,325	16,812

4 Net interest payable and similar charges

	2012 £000	2011 £000
Net interest (payable)/receivable on intra-group deposits	(332)	62
Interest on finance leases	(40)	(83)
	(372)	(21)

5 Other finance income and charges

	2012 £000	2011 £000
Net interest income/(charge) on defined benefit pension scheme (see note 17)	631	(317)

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements – Year ended 28 January 2012

6 Staff costs and directors' remuneration

Particulars of employee costs are as shown below

	2012 £000	2011 £000
Wages and salaries	17,782	16,516
Social security costs	2,053	1,750
Other pension costs	1,414	1,448
	21,249	19,714

Wages and salaries shown above include amounts charged to the profit and loss account and amounts capitalised within fixed assets

Other pension costs includes only those items included within operating costs. Items reported elsewhere have been excluded.

The average monthly number of persons employed by the company during the year was

	2012 Number	2011 Number
Administration	324	297

Directors' remuneration

No directors received remuneration or waived emoluments from the company during the year ended 28 January 2012 (2011: £nil).

The emoluments of Mr M Bell are paid by the parent company and are recharged to this company. The recharge for the year was £330,883 (2011: £308,392).

The emoluments of Mr I Cheshire are paid by the parent company. Mr Cheshire's services to this company and to a number of fellow subsidiaries are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the parent company.

The emoluments of Mr N Folland and Mr D Paramor are paid by the parent company which makes no recharge to the company. Mr N Folland and Mr D Paramor are directors of a number of fellow subsidiaries within the Kingfisher Group and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries.

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements – Year ended 28 January 2012

7 Tax on profit on ordinary activities

The tax charge is based on the taxable profit for the year and comprises

	2012 £000	2011 £000
UK Corporation tax at 26 33% (2011 28%)		
Current tax credit on profit for the year	2,816	1,571
Adjustments in respect of prior years	863	-
	3,679	1,571
Deferred tax: (see note 13)		
Deferred tax	(4,095)	(2,294)
Adjustment in respect of prior years	181	(1,260)
Effect of restatement at 25% (2011 27%)	(498)	(421)
	(4,412)	(3,975)
Tax charge on profit on ordinary activities	(733)	(2,404)

Factors affecting the tax charge for the financial year

The tax charge for the year differs from the standard rate of corporation tax in the UK of 26 33% (2011 28%) The differences are explained below

	2012 £000	2011 £000
Profit on ordinary activities before taxation	5,123	2,454
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26 33% (2011 28%)	(1,349)	(687)
Effects of		
Timing differences provided for	4,095	2,294
Expenses not deductible for tax purposes	70	(36)
Total current corporation tax credit for the year	2,816	1,571

In 2010 the UK Government announced their intention to progressively reduce the rate of corporation tax suffered on business profits over a four year period. The anticipated 1% reduction taking effect from 1 April 2011 was subsequently amended to 2% resulting in a statutory rate of 26% from that date. Accordingly, the company's profits for this accounting period are taxed at a blended rate of 26 33%. These accounts also reflect the enacted reduction to 25% in effect from 1 April 2012.

The effect of the enacted rate changes above has been to reduce the net deferred tax asset in the year by £384,000, comprising a debit of £498,000 to the profit and loss account and a credit of £114,000 directly to equity.

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements – Year ended 28 January 2012

7 Tax on profit on ordinary activities (continued)

On 21 March 2012 it was announced that from 1 April 2012 the UK statutory rate will be reduced further to 24%. Subsequently, two additional 1% annual reductions are expected resulting in a statutory rate of 22% by 1 April 2014. Since these further changes had not been substantively enacted at the balance sheet date, they are not included in these financial statements. The effect of these further decreases in the UK rate would be to reduce the net deferred tax asset as reported at 28 January 2012 by £345,000.

8 Tangible fixed assets

	Computer hardware and software £000	Assets in the course of construction £000	Fixtures, fittings and equipment £000	Total £000
Cost				
At 30 January 2011	166,710	40,001	4,792	211,503
Additions	-	70,942	-	70,942
Transfers	42,076	(42,076)	-	-
Disposals	(1,203)	-	-	(1,203)
At 28 January 2012	207,583	68,867	4,792	281,242
Accumulated depreciation				
At 30 January 2011	(119,365)	(3,489)	(1,573)	(124,427)
Charge for the year	(20,904)	-	(399)	(21,303)
Disposals	565	-	-	565
Provision for impairment	(569)	(1,425)	-	(1,994)
At 28 January 2012	(140,273)	(4,914)	(1,972)	(147,159)
Net book value				
At 28 January 2012	67,310	63,953	2,820	134,083
At 30 January 2011	47,345	36,512	3,219	87,076

During the year an impairment provision of £1,994,000 (2011: £625,100) has been recognised for elements of computer software and software in development which have no recoverable amount to the business.

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements – Year ended 28 January 2012

8 Tangible fixed assets (continued)

The net book value of assets held under finance lease or hire purchase contracts included above were

	2012 £000	2011 £000
Computer hardware and software	1,051	876

9 Debtors

	2012 £000	2011 £000
Amounts owed by group undertakings	8,699	14,282
Other debtors	40	248
Corporation tax	6,886	3,678
Deferred taxation (see note 13)	5,390	9,353
Other taxation	2,385	1,972
Prepayments and accrued income	4,715	3,348
	28,115	32,881

There are two types of intra-group accounts non-interest bearing accounts with other Kingfisher group subsidiaries and an interest bearing treasury account with Kingfisher plc All accounts are unsecured and repayable on demand The average daily interest rate on the treasury account during the year was 1 12%

10 Creditors - amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	(5,347)	(5,401)
Amounts owed to group undertakings	(50,590)	(7,310)
Obligations under finance leases and hire purchase contracts (note 12)	(331)	(301)
Other tax and social security	(449)	(505)
Other creditors	(3,117)	(2,365)
Accruals and deferred income	(18,909)	(19,970)
	(78,743)	(35,852)

There are two types of intra-group accounts non-interest bearing accounts with other Kingfisher group subsidiaries and an interest bearing treasury account with Kingfisher plc All accounts are unsecured and repayable on demand The average daily interest rate on the treasury account during the year was 1 12%

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements – Year ended 28 January 2012

11 Creditors - amounts falling due in more than one year

	2012 £000	2011 £000
Obligations under finance leases and hire purchase contracts (note 12)	(796)	(579)

12 Obligations under finance leases and hire purchase contracts

	2012 £000	2011 £000
Due within one year	(472)	(329)
Due in one to two years	(428)	(378)
Due in two to five years	(535)	(220)
	(1,435)	(927)
Less amounts representing interest relating to future periods	308	47
	(1,127)	(880)

All obligations under finance leases and hire purchase contracts are secured on the assets to which they relate

13 Deferred taxation

	2012 £000
Deferred tax asset excluding deferred tax on pension asset	
As at 30 January 2011	9,353
Movement during the year	(3,963)
As at 28 January 2012	5,390

Deferred taxation recognised in the financial statements is as follows -

	2012 £000	2011 £000
Accelerated capital allowances	4,589	8,799
Other timing differences	801	554
Deferred tax excluding that relating to pension asset/ liability	5,390	9,353
Deferred tax relating to pension asset/ liability	(2,515)	(190)
Total provision for deferred tax	2,875	9,163

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements – Year ended 28 January 2012

13 Deferred taxation (continued)

	£000
As at 30 January 2011	9,163
Deferred tax charge in profit and loss account (note 7)	(4,412)
Deferred tax charge to the statement of total recognised gains and losses	(1,876)
As at 28 January 2012	2,875

There is no unprovided deferred tax requiring disclosure in these financial statements

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has been recognised in these financial statements

14 Called up share capital

	2012 £	2011 £
Allotted, issued and fully paid		
As at 29 January 2011 and 28 January 2012	100,000,000	100,000,000

The ordinary shares hold voting rights and have preferential rights to return of capital on winding up

15 Reserves

	Profit and loss account £000
At 30 January 2011	(13,631)
Profit for the financial year	4,390
Actuarial gain on the pension scheme	1,270
Deferred tax on actuarial gain on pension scheme	(335)
Current tax on special pension contributions	1,689
Deferred tax on special pension contributions	(1,689)
Effect of restatement of deferred tax at 25% (2011 27%)	114
Adjustment in respect of prior years deferred tax	34
At 28 January 2012	(8,158)

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements – Year ended 28 January 2012

16 Reconciliation of movement in shareholder's funds

	2012 £000	2011 £000
Opening shareholder's funds	86,369	80,404
Profit for the financial year	4,390	50
Actuarial gain on the pension scheme	1,270	8,103
Deferred tax on actuarial gain on pension scheme	(335)	(2,269)
Current tax on special pension contributions	1,689	-
Deferred tax on special pension contributions	(1,689)	-
Effect of restatement of deferred tax at 25% (2011 27%)	114	81
Adjustment in respect of prior years deferred tax	34	-
Closing shareholder's funds	91,842	86,369

17 Pension arrangements

The company participates in both a funded defined benefit scheme and a funded defined contribution scheme

Defined contribution schemes

The total pension charge in the profit and loss account for the defined contribution scheme was £200,000 (2011 £183,000)

Defined benefit schemes

The company is one of a number of Group companies that participate in the Kingfisher Pension Scheme which is defined benefit in nature. The company has accounted for its share of the scheme assets and liabilities. The valuation of the scheme used for FRS 17 has been based on the most recent actuarial valuation of the Group's UK scheme as at 31 March 2010 and has been updated to 28 January 2012.

On 30 June 2011 Kingfisher plc, the company's ultimate parent, entered into the second phase of an arrangement with the scheme Trustee to address an element of the scheme deficit. Further details on this arrangement are given in note 27 of the consolidated financial statements of Kingfisher plc. As part of this arrangement, Kingfisher plc made a contribution of £106,000,000 to the scheme and subsequently recharged the other participating Group entities based on their share of pensionable payroll, amounting to a contribution for the company of £5,597,000.

The scheme was closed to new entrants in 2004. In February 2012, Kingfisher plc announced a proposal to close the final salary scheme to future benefit accrual with effect from 30 June 2012 and entered into a 60 day consultation period with active members of the scheme. At the same time Kingfisher plc unveiled a plan to offer an enhanced defined contribution scheme to all UK employees. It is anticipated that any reduction in cash contributions from closing the defined benefit scheme would be offset by higher employee participation in, and employer contributions to, the enhanced defined contribution scheme.

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements – Year ended 28 January 2012

17 Pension arrangements (continued)

a) Principal actuarial valuation assumptions

The assumptions used in calculating the costs and obligations of the defined benefit pension schemes are set by the Directors after consultation with independent professionally qualified actuaries. The assumptions are based on the conditions at the time and changes in these assumptions can lead to significant movements in the estimated obligation.

The discount rate is based on the yield on the iBoxx over 15 year AA-rated Sterling corporate bond index adjusted for the difference in term between iBoxx and scheme liabilities. The overall expected rate of return on scheme assets reflects market expectations at the valuation date of long term asset returns and the mix of assets in the scheme.

Annual % rate

	2012	2011
Discount rate	4.5	5.6
Salary escalation	3.8	4.3
Rate of pension increases	3.0	3.5
Price inflation	3.0	3.5

% rate of return

	2012	2011
Equities	7.6	8.5
Bonds	3.4	4.8
Property	5.8	6.9
Other	4.9	3.7
Overall expected rate of return	4.6	6.0

For the UK scheme, the mortality assumptions used in the actuarial valuations have been selected with regard to the characteristics and experience of the membership of the scheme from 2007 to 2010. The base mortality assumptions have been derived by adjusting standard mortality tables (SAPS tables) projected forward to 2010 with the medium cohort improvement factors for males and with the standard improvement factors for females. In addition, allowance has been made for future increases in life expectancy. For males, the allowance is in line with medium cohort improvements subject to a minimum rate of improvement of 1% pa, and for females, the allowance is in line with the average of the standard series and long cohort improvements, subject to a minimum of 1% pa. These improvements take into account trends observed within the scheme over the past decade and general population trends.

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements – Year ended 28 January 2012

17 Pension arrangements (continued)

a) Principal actuarial valuation assumptions (continued)

The assumptions for life expectancy of the scheme members are as follows

	2012	2011
Age to which current pensioners are expected to live (60 now)		
- Male	86.4	86.4
- Female	87.1	87.1
Age to which future pensioners are expected to live (60 in 15 years time)		
- Male	87.7	87.1
- Female	88.7	88.7

b) Sensitivity analysis of key actuarial assumptions used

The following table analyses, for the UK scheme, the estimated impact on obligations resulting from changes to key actuarial assumptions, whilst holding all other assumptions constant

Assumption	Change in assumption	Impact on defined benefit obligation £000
Discount rate	Increase/decrease by 0.1%	1,800
Salary escalation	Increase/decrease by 0.1%	200
Rate of pension increases	Increase/decrease by 0.1%	1,200
Price inflation	Increase/decrease by 0.1%	1,800
Mortality	Increase in life expectancy by one year	2,900

c) Impact of defined benefit scheme on profit and loss account

The amounts recognised in the profit and loss account are as follows

	2012 £000	2011 £000
Amounts charged to operating loss		
Current service cost	(1,214)	(1,265)
Total operating charge	(1,214)	(1,265)
Amounts credited/(charged) to other finance costs		
Expected return on pension scheme assets	5,241	4,502
Interest on pension scheme liabilities	(4,610)	(4,819)
Net interest credit/(charge)	631	(317)
Total charged to the profit and loss account	(583)	(1,582)

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements – Year ended 28 January 2012

17 Pension arrangements (continued)

d) Defined benefit asset position on balance sheet

The amounts recognised on the balance sheet are as follows

	2012	2011
	£000	£000
Present value of defined benefit obligations	(97,012)	(88,221)
Fair value of scheme assets	108,710	91,254
Net asset	11,698	3,033
Related deferred tax liability	(2,515)	(190)
	9,183	2,843

Movements in the present value of defined benefit obligations on the balance sheet are as follows

	2012	2011
	£000	£000
Obligations		
Defined benefit obligation at beginning of year	(88,221)	(87,605)
Total service cost charged in the profit and loss account	(1,214)	(1,265)
Interest charge	(4,610)	(4,819)
Actuarial (losses)/gains	(5,738)	2,646
Contributions paid by employees	(392)	(431)
Benefits paid	3,162	3,253
Defined benefit obligation at end of year	(97,013)	(88,221)

Movements in the fair value of scheme assets on the balance sheet are as follows

	2012	2011
	£000	£000
Assets		
Fair value of plan assets at beginning of year	91,254	78,626
Expected return of pension scheme assets	5,241	4,502
Actuarial gains	7,008	5,457
Contributions paid by employer	7,977	5,492
Contributions paid by employees	392	431
Benefits paid	(3,162)	(3,254)
Fair value of plan assets at end of year	108,710	91,254

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements – Year ended 28 January 2012

17 Pension arrangements (continued)

d) Defined benefit asset position on balance sheet (continued)

The analysis of the scheme assets at the balance sheet date is as follows

		2012		2011
	£000		£000	
Equities	24,768	23%	26,651	29%
Bonds	66,246	61%	51,473	57%
Property	4,423	4%	4,529	5%
Other	13,273	12%	8,601	9%
Total market value of assets	108,710	100%	91,254	100%

The pension plans do not hold any assets other than those disclosed above

The actual return on pension scheme assets is as follows

	2012	2011
	£000	£000
Actual return on pension scheme assets	12,249	9,959

Amounts for current and previous four years are as follows

	2012	2011	2010	2009	2008
	£000	£000	£000	£000	£000
Present value of defined benefit obligations	(97,012)	(88,221)	(87,605)	(66,288)	(63,196)
Fair value of scheme assets	108,710	91,254	78,626	64,278	68,444
Net asset/(liability) in the scheme	11,698	3,033	(8,979)	(2,010)	5,248

	2012	2011	2010	2009	2008
	£000	£000	£000	£000	£000
Actual return less expected return on pension scheme assets	7,008	5,457	10,516	(8,771)	(780)
Percentage of scheme assets	6.4%	6.0%	3.4%	(13.6%)	(1.1%)
Experience (loss) arising on pension scheme liabilities	(10)	2,058	-	-	(272)
Percentage of scheme liabilities	0.0%	(2.3%)	0.0%	0.0%	0.4%
Changes in assumptions underlying present value of scheme liabilities	(5,728)	588	(18,417)	(101)	3,821
Percentage of scheme liabilities	5.9%	(0.7%)	21.0%	0.2%	(6.0%)
Total amount recognised in reserves	1,270	8,103	(7,901)	(8,872)	2,769

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements – Year ended 28 January 2012

17 Pension arrangements (continued)

d) Defined benefit asset position on balance sheet (continued)

The cumulative actuarial loss recognised in the statement of total recognised gains and losses was £4,631,000 (2011 loss £5,901,000)

The estimated amounts of contributions expected to be paid to the pension scheme by the company during the next financial year, before any impact of the proposed closure to future benefit accrual of the UK final salary scheme, is £2,677,000 (2011 £2,500,000) Should the final salary scheme close to future benefit accrual, these contributions would reduce accordingly

18 Share based payments

The company participates in a number of share option schemes including the Kingfisher Incentive Scheme (KISS), Kingfisher Retention Plan, Performance Share Plan, UK ShareSave Plan and Restricted Special Awards

The KISS, Kingfisher Retention Plan and Performance Share Plan are the principal share option schemes available to eligible Kingfisher employees A full description of the Scheme and its operation is provided on the Remuneration Report on pages 35 to 46 of the Kingfisher plc annual report and accounts

Restricted Special Awards were originally reported under the KISS These awards are granted as one-off compensatory awards granted under the rules of the KISS They are nil cost options, as with the KISS, but do not accrue dividends until after they are exercised Vesting dates may vary according to individual grants

Under the UK ShareSave Plan, eligible UK employees have been invited to enter into Inland Revenue approved savings contracts for a period of three or five years, whereby shares may be acquired with repayments under the contract The option price is the average market price over three days shortly before an offer to subscribe, discounted by 20% Options are exercisable within a six-month period from the conclusion of a three or five-year period

The rules of the Kingfisher Incentive Scheme, Performance Share Plan, Kingfisher Retention Plan, ShareSave Plans and Restricted Special Awards include provision for the early exercise of options in certain circumstances

The rights for each of the instruments is granted by the ultimate parent company, Kingfisher plc, and settled by shares in Kingfisher plc These schemes are treated, for accounting purposes, as equity-settled arrangements As a result, an expense is charged to profit and loss with the corresponding entry to accrued liabilities On vesting of the individual arrangements, the employee obligation is settled by Kingfisher plc and the company is recharged the fair value of the award

The fair value of share options and deferred shares is obtained using the Black-Scholes and stochastic option pricing models The inputs of the principal schemes into these models are as follows

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements – Year ended 28 January 2012

18 Share based payments (continued)

	Date of grant	Share price at grant £	Exercise price £	Expected life years	Expected volatility %	Dividend yield %
Kingfisher Incentive Share Scheme	11/04/07	2.77	-	3.5	-	-
	21/04/08	1.28	-	3.5	-	-
	21/04/09	1.63	-	3.5	-	-
	06/04/10	2.24	-	3.5	-	-
	05/05/10	2.33	-	3.5	45.0%	2.4%
	12/04/11	2.60	-	3.5	40.9%	2.7%
	06/05/11	2.80	-	3.5	40.6%	2.5%
	Date of grant	Share price at grant £	Exercise price £	Expected life years	Expected volatility %	Dividend yield %
Performance Share Plan	01/10/07	1.83	-	3.5	22.4%	-
	01/02/08	1.51	-	3.5	28.2%	-
	01/02/08	1.51	-	4.5	-	-
	21/04/08	1.28	-	4.5	-	-
	24/07/08	1.24	-	4.5	-	-
	01/10/08	1.35	-	3.5	35.9%	-
	01/10/08	1.35	-	4.0	-	-
	21/04/09	1.63	-	4.5	44.9%	-
	21/04/09	1.63	-	4.5	-	-
	30/10/09	2.24	-	3.5	-	-
	05/05/10	2.33	-	2.5 to 3.5	-	-
	05/05/10	2.33	-	3.5	46.7%	-
	21/10/10	2.47	-	2.0 to 3.0	-	-
	12/04/11	2.60	-	2.6	-	-
	17/06/11	2.65	-	3.5 to 4.5	-	-
	21/10/11	2.63	-	2.1 to 4.2	-	-
UK and International ShareSave	27/10/05	2.01	1.76	5.5	35.0%	5.3%
	26/10/06	2.65	1.97	3.5	19.9%	4.0%
	26/10/06	2.65	1.97	5.5	28.1%	4.0%
	01/11/07	1.90	1.55	3.5	23.6%	5.6%
	01/11/07	1.90	1.55	5.5	25.5%	5.6%
	29/10/08	1.09	1.09	3.5	36.3%	4.9%
	29/10/08	1.09	1.09	5.5	30.8%	4.9%
	03/11/09	2.24	1.72	3.5	43.6%	2.4%
	03/11/09	2.24	1.72	5.5	36.4%	2.4%
	28/10/10	2.39	1.87	3.5	44.3%	2.3%
	28/10/10	2.39	1.87	5.5	37.3%	2.3%
	26/10/11	2.64	1.99	3.5	39.1%	2.9%
	26/10/11	2.64	1.99	5.5	37.6%	2.9%
Kingfisher Retention Plan	21/04/08	1.28	-	1.5 to 4.5	-	-

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements – Year ended 28 January 2012

18 Share based payments (continued)

Expected volatility was determined for each individual award, by calculating the historical volatility of the Group's share price (plus reinvested dividends) immediately prior to the grant of the award, over the same period as the vesting period of each award, adjusted by expectations of future volatility

The company recognised a total expense of £1,034,000 in the year ended 28 January 2012 (2011 £671,000) relating to equity-settled share-based payment transactions. The total carrying amount for liabilities arising from share based payment transactions at the end of the year was £3,012,000 (2011 £1,978,000)

A summary of options is detailed below

	2012		2011	
	Options	Weighted average exercise price	Options	Weighted average exercise price
	Number	£	Number	£
Outstanding at beginning of year	2,648,473	0.59	1,890,107	0.72
Transferred with employees	-	-	135,195	0.29
Granted during the year ^{1 2}	687,525	1.30	855,166	0.15
Forfeited during the year	(269,968)	1.23	(11,878)	0.01
Exercised during the year	(577,393)	0.72	(75,052)	0.29
Expired during the year	(136,063)	1.98	(145,065)	0.34
Outstanding at end of year	2,352,574	0.99	2,648,473	0.59
Exercisable at end of year	35,303	0.26	485,313	1.53

¹ The charge to the income statement for the years ended 28 January 2012 and 29 January 2011 in respect of share-based payments includes the first year's charge of the 2012 and 2011 Kingfisher Incentive Share Scheme ('KISS') grants respectively, based on the cash bonus for the year. Since grants under the KISS are made following the year end to which the first year of charge relates, it is not possible to give the number of options granted until after the year end.

² The weighted average exercise price for options granted during the year represents a blend of nil price KISS, Performance Share Plan and discounted ShareSave options (see below)

Options have been exercised on a regular basis throughout the period. On that basis, the weighted average share price during the year, rather than at the date of exercise, is £2.55 (2011 £2.30). The options outstanding at the end of the year have exercise prices ranging from nil to £2.38 (2011 nil to £2.38) and a weighted average remaining contractual life of 3.6 years (2011 2.1 years).

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements – Year ended 28 January 2012

19 Capital and other commitments

	2012	2011
	£000	£000
Contracts placed for future capital expenditure not provided in the financial statements	940	2,508

20 Ultimate parent undertaking

The ultimate parent company is Kingfisher plc, which is registered in England and Wales. A copy of the Annual Report and Accounts of the ultimate parent company can be obtained (printed or downloaded) from www.kingfisher.com or from The Secretary, Kingfisher plc, 3 Sheldon Square, Paddington, London, W2 6PX.

21 Related parties

In accordance with Financial Reporting Standard No 8 Related Party Disclosures, the company is exempt from disclosing transactions with entities that are part of the group, as it is a more than ninety per cent owned subsidiary undertaking of a parent whose consolidated financial statements are publicly available.

During the year the company carried out a number of transactions with related parties in the normal course of business and on an arm's length basis.