Kingfisher Information Technology Services (UK) Limited

Annual Report and Financial Statements

for the year ended 31 January 2018

Registered number: 02016021



Kingfisher Information Technology Services (UK) Limited

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Kingfisher Information Technology Services (UK) Limited

Strategic Report for the year ended 31 January 2018

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

Principal activities

The company 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, Kingfisher Information Technology Services (UK) Limited (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 2018 the company made a loss before taxation of £14,083,000 (2016/17: £4,329,000 profit).

Cost of sales increased from the prior year due to incurring the first full year of costs for the Brilliant Basics initiative, aimed at standardising the Group's IT functionalities. These costs have not been recharged to other subsidiaries, resulting in the loss for the year. Furthermore, the company has undertaken 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. Turnover represents amounts recharged to fellow subsidiaries and therefore this has increased in line with underlying costs.

Ongoing operational performance of the company is measured internally by the use of Service level agreements (SLAs). The company met its SLAs in 98% of cases in the year (2016/17: 99%). The target will continue to be measured with the aim of achieving a minimum of 98% continual service for each company. The calculation is based on a weighted average matrix according to number of users in each company.

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, over 280 different projects were worked on and over 228 went live with additions totalling £99,718,000 (2016/17: £105,078,000) as shown in notes 8 and 9. This demonstrates the continued value of the company in delivering appropriate IT solutions in response to the needs of the subsidiaries of Kingfisher plc.

During 2017/18, work continued on the Easier Group template with over 50% of group sales operating on the unified platform. Castorama France joined B&Q as being rolled out whilst work continues for the remaining European subsidiaries.

Key performance indicators ("KPIs")

The directors of Kingfisher Information Technology Services (UK) Limited 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, notably the next stages of Easier with the second year being delivered in line with the roll out plan. Furthermore, digital initiatives including the Castorama France website and the one hour click and collect service in B&Q were also delivered in line with targets.

Controlling the cost base is another key indicator for the business. These costs totalling £236,170,000 (2016/17: £206,587,000) are recharged to the other Kingfisher subsidiaries. There is continuous focus on minimising costs and delivering sustainable cost savings where possible. Each year, a challenging budget is set for operating costs with savings being delivered via initiatives such as decommissioning of legacy systems. £1,600,000 of the total target of £3,600,000 was achieved in the year. Timing of the decommissioning activities lead to this target not being fully achieved. Each year the target is reviewed to understand the level of decommissioning expected in line with the key Project milestones. A key programme driving these savings is the Easier unified platform.

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.

Strategic Report for the year ended 31 January 2018 (continued)

KITS Operating Model Changes
The business strategy is focused on a significant change in the business operating model by 2020. As part of this work there are a significant number of key priorities which must be delivered to achieve the long term goals of the Kingfisher Group. This set of changes requires 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.

Complexity of Infrastructure
A program of work was undertaken to upgrade the core infrastructure, however there are a number of legacy systems that cannot be removed until they are decommissioned. An increase in complexity could result in an increase in incidents and outages as well as a significant financial impact of running dual systems. KITS has a clear strategy and roadmap for infrastructure governed by the Board. Furthermore, strong change management processes are in place to enable effective incident management and decommissioning of legacy systems.

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, infrastructure and deliver high quality IT services to the group operating companies. As such the company is committed to ongoing, transparent communication and ensuring that its people are appraised regularly and are given individual development plans.

Cyber-attack
The retail sector is a target for cyber-attack. The key threat factors are both internal and external and activities to protect against both are in place. A cyber threat assessment is continuously monitored to identify potential threats to the organisation, with corresponding treatment plans to reduce the threat.

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.

Political and regulatory change
The result of the Brexit vote has an impact on the political, regulatory and legal environment in which the company operates. New regulations including the European General Data Protection Regulation (GDPR) have an impact on the way business is conducted with customers and suppliers and the way in which existing IT systems operate and how new IT systems are secured. This risk is mitigated by pro-active and regular monitoring of any changes and assessment of their impact on the company.

Future developments

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

Events after the balance sheet date

There have been no significant events since the balance sheet date.

Approval

Approved by the Board and signed on its behalf by:

A Godwin
Director
21 June 2018

Kingfisher Information Technology Services (UK) Limited

Directors' report for the year ended 31 January 2018

The directors present their annual report and audited financial statements of Kingfisher Information Technology Services (UK) Limited for the year ended 31 January 2018.

Results and dividends

The loss after taxation for the financial year amounted to £11,463,000 (2016/17: £3,344,000 profit). The directors do not recommend the payment of a dividend for the financial year (2016/17: £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

There have been no significant events since the balance sheet date.

Research and development

During the year £83,802,000 (2016/17: £73,419,000) was spent on development of which £374,000 (2016/17: £404,000) related to early development activities that did not qualify for capitalisation.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a minimum of 12 months from the date of signing these financial statements. Thus they continue to adopt the going concern basis in preparing the annual financial statements. The going concern basis has been adopted based on the expectation that there will be continued funding from the ultimate parent company as required.

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.

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.

Kingfisher Information Technology Services (UK) Limited

Directors' report for the year ended 31 January 2018 (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
D Haycocks
S Willett
D Palmer
M El Fanichi (resigned 19th May 2017)
G Porter
P Moore (Secretary)

Since the year end, N Jones and E Bosmans were appointed as directors with effect from 15th March 2018 and 19th April 2018 respectively.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

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/she ought to have taken as a director in order to make himself/herself 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 31 January 2018 (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 Godwin
Director
21 June 2018

Kingfisher Information Technology Services (UK) Limited

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Kingfisher Information Technology Services (UK) Limited (the 'company') which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of changes in equity;
- 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, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Kingfisher Information Technology Services (UK) Limited

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

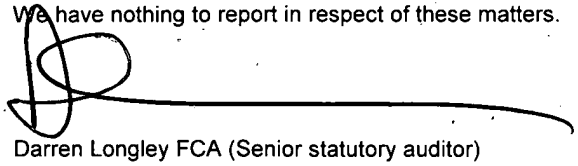
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



Darren Longley FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
21 June 2018

Kingfisher Information Technology Services (UK) Limited

Income statement for the year ended 31 January 2018

£'000	Notes	2017/18	2016/17
Sales	5	**221,816**	210,355
Cost of sales		**(223,183)**	(194,318)
Gross (loss)/profit		**(1,367)**	16,037
Administrative expenses		**(12,987)**	(12,269)
Operating (loss)/profit		**(14,354)**	3,768
Finance costs	4	**(445)**	(309)
Finance income	4	**716**	870
Net finance income		**271**	561
(Loss)/profit before taxation	5	**(14,083)**	4,329
Income tax gain/(expense)	7	**2,620**	(985)
(Loss)/profit for the year attributable to the owners of the Company		**(11,463)**	3,344

All of the above transactions relate to continuing operations.

Kingfisher Information Technology Services (UK) Limited

Statement of comprehensive income for the year ended 31 January 2018

£'000	Notes	2017/18	2016/17
(Loss)/profit for the year		**(11,463)**	3,344
Actuarial losses on post-employment benefits	16	**(3,851)**	(3,120)
Tax on items that will not be reclassified		**980**	727
Total items that will not be reclassified subsequently to profit or loss		**(2,871)**	(2,393)
Other comprehensive loss for the year		**(2,871)**	(2,393)
Total comprehensive (loss)/income for the year		**(14,334)**	951

Kingfisher Information Technology Services (UK) Limitec

Statement of changes in equity at 31 January 2018

£'000	Attributable to equity shareholders of the company		
	Share capital	Retained earnings	Total
At 1 February 2017	**235,000**	**18,000**	**253,000**
Loss for the year	-	**(11,463)**	**(11,463)**
Other comprehensive loss for the year	-	**(2,871)**	**(2,871)**
Total comprehensive loss for the year	-	**(14,334)**	**(14,334)**
Share-based compensation - charge (note 18)	-	**313**	**313**
Share-based compensation - recharge payment (note 18)	-	-	-
Tax on share-based payment transactions	-	**3**	**3**
At 31 January 2018	**235,000**	**3,982**	**238,982**
At 1 February 2016	235,000	16,396	251,396
Profit for the year	-	3,344	3,344
Other comprehensive loss for the year	-	(2,393)	(2,393)
Total comprehensive income for the year	-	951	951
Share-based compensation - charge (note 18)	-	809	809
Share-based compensation - recharge payment (note 18)		(215)	(215)
Tax on share-based payment transactions	-	59	59
At 31 January 2017	235,000	18,000	253,000

Kingfisher Information Technology Services (UK) Limited

Balance sheet at 31 January 2018

£'000	Notes	2017/18	2016/17
Non-current assets			
Intangible assets	8	**314,036**	276,534
Property, plant and equipment	9	**63,455**	65,299
Post-employment benefits	16	**21,239**	22,759
		398,730	364,592
Current assets			
Trade and other receivables	10	**37,187**	59,814
		37,187	59,814
Total assets		**435,917**	424,406
Current liabilities			
Trade and other payables	11	**(189,598)**	(163,334)
Borrowings	13	**-**	(45)
		(189,598)	(163,379)
Total assets less current liabilities		**246,319**	**261,027**
Non-current liabilities			
Provisions	14,15	**(7,337)**	(8,027)
		(7,337)	(8,027)
Total liabilities		**(196,935)**	(171,406)
Net assets		**238,982**	**253,000**
Equity			
Share capital	17	**235,000**	235,000
Retained earnings		**3,982**	18,000
Total equity		**238,982**	**253,000**

The financial statements of KITS (reigstered number 02016021) including notes 1 to 21 that form part of these financial statements were approved and authorised for issue by the Board of Directors on 21 June 2018 and were signed on its behalf by:

A Godwin
Director

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements for the year ended 31 January 2018

1 General information

Kingfisher Information Technology Services (UK) Limited is a private company incorporated and domiciled in the United Kingdom and registered in England and Wales under the Companies Act 2006, limited by shares see note 17. The nature of the company's operations and its principal activities are set out in the strategic report on pages 2 to 3. The address of the registered office is Kingfisher Information Technology Services(UK) Limited, 3 Sheldon Square, Paddington, London, W2 6PX.

2 Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements are prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The current financial year is the year ended 31 January 2018 ('the year' or '2017/18'). The comparative financial year is the year ended 31 January 2017 ('the prior year' or '2016/17'). 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 and the Companies Act 2006.

These financial statements are separate financial statements. The company is exempt under section 400 of the Companies act 2006 from the preparation of consolidated financial statements as it is included in the group accounts of its ultimate parent, Kingfisher plc.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the consolidated accounts of Kingfisher plc. The consolidated accounts of Kingfisher plc are publically available, see note 20. There are no new standards, amendments or interpretations, which are mandatory for the first time for the financial year ended 31 January 2018, that are relevant and material for the Group.

b. Going Concern

The directors of Kingfisher Information Technology (UK) Limited, having made appropriate enquiries, consider that adequate resources exist for the company to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis of accounting in preparing these financial statements.

c. Foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction or, for practical reasons, at average monthly rates where exchange rates do not fluctuate significantly.

Monetary assets and liabilities denominated in foreign currencies are translated into pounds at the rates of exchange at the balance sheet date. Exchange differences on monetary items are taken to the income statement.

d. Revenue recognition

Turnover represents the recharge of IT services to companies within the Kingfisher Group. It comprises the recharge of all IT operating costs, overheads and management fee. 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.

2 Principal accounting policies (continued)

e. 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.

f. 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.

g. Employee benefits

(i) Post-employment benefits

Kingfisher plc operates, on behalf of the company, a defined benefit and a defined contribution pension scheme for its employees, some of which are required by local legislation. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement. A defined contribution plan is a pension plan under which the company usually pays fixed contributions into a separate entity. In all cases other than some of the legally required schemes, a separate fund is accumulated to meet its accruing liabilities. The assets of each of these funds are either held under trusts or managed by insurance companies and are entirely separate from the Group's assets.

The asset or liability recognised in the balance sheet in respect of defined benefit schemes is the fair value of the scheme assets less the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to statement of comprehensive income as they arise.

For defined contribution schemes, the Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

(ii) Share-based compensation

The company participates in several equity-settled, share-based compensation plans. The plans are settled on vesting with ultimate parent company shares and accounted for as equity-settled arrangements. As a result, the income statement is charged with the expense with the corresponding entry to equity. On vesting of the individual arrangements, the employee obligation is settled by Kingfisher plc and the company is recharged for the award.

The fair value of the company's employees' services received in exchange for the grant of options or deferred shares is recognised as an expense and is calculated using Black-Scholes and Stochastic models. 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. The value of the charge is adjusted to reflect expected and actual levels of options vesting due to non-market vesting conditions.

h. Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate which reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2 Principal accounting policies (continued)

i. Intangible assets

(i) Cost

Where software is not an integral part of a related item of computer hardware, it is classified as an intangible asset.

Costs that are directly associated with the acquisition or production of identifiable software products controlled by the company, which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Capitalised costs include those of software licences and development, including costs of employees, consultants and an appropriate portion of relevant overheads.

Costs associated with identifying, sourcing, evaluating or maintaining computer software are recognised as an expense as incurred. Software under development is held at cost less any provisions for impairment, with impairment reviews being performed annually.

(ii) Amortisation

Amortisation is charged over the assets estimated useful lives of two to ten years on a straight line basis.

(iii) Impairment

At each balance sheet date, the company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future pre-tax cash flows ('value-in-use') of the relevant cash generating unit or fair value less costs to sell if higher. The discount rate applied is based upon the Group's weighted average cost of capital with appropriate adjustments for the risks associated with the relevant cash generating unit. Any impairment in value is charged to the income statement in the year in which it occurs.

(iv) Disposal

The gain or loss arising on the 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 income statement.

(v) Subsequent costs

Subsequent costs are included in the related asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement in the period in which they are incurred.

j. Property, plant and equipment

(i) Cost

Property, plant and equipment held for use in the business is carried at cost less accumulated depreciation and any provisions for impairment.

(ii) Depreciation

Depreciation is provided to reflect a straight line reduction from cost to estimated residual value over the estimated useful life of the asset on a straight line basis as follows:

Fixtures and fittings – between four and twenty years
Computers and electronic equipment – between three and five years

2 Principal accounting policies (continued)

j. Property, plant and equipment (continued)

(iii) Impairment

At each balance sheet date, the company reviews the carrying amounts of its property, plant and equipment assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future pre-tax cash flows ('value-in-use') of the relevant cash generating unit or fair value less costs to sell if higher. The discount rate applied is based upon the Group's weighted average cost of capital with appropriate adjustments for the risks associated with the relevant cash generating unit. Any impairment in value is charged to the income statement in the year in which it occurs.

(iv) Disposal

The gain or loss arising on the 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 income statement.

(v) Subsequent costs

Subsequent costs are included in the related asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement in the period in which they are incurred.

k. Leased Assets

Where assets are financed by leasing agreements which give rights approximating to ownership, the assets are treated as if they had 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 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 generally charged to the income statement in the period to which the payments relate, except for those leases which incorporate fixed minimum rental uplift clauses. Leases which contain fixed minimum rental uplifts are charged to the income statement on a straight line basis over the lease term.

Incentives received or paid to enter into lease agreements are released to the income statement on a straight line basis over the lease term.

l. Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year.

Taxable profit differs from profit before taxation as reported in the income statement because it excludes items of income or expense which are taxable or deductible in other years or which are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

2 Principal accounting policies (continued)

l. Taxation (continued)

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences or unused tax losses can be utilised. Deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill in a business combination. Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Current and deferred tax are calculated using tax rates which have been enacted or substantively enacted by the balance sheet date and are expected to apply in the period when the liability is settled or the asset is realised.

Current and deferred tax are charged or credited to the income statement, except when they relate to items charged or credited directly to equity, in which case the current or deferred tax is also recognised directly in equity.

Current and deferred tax assets and liabilities are offset against each other when they relate to income taxes levied by the same tax jurisdiction and when the company intends to settle its current tax assets and liabilities on a net basis.

m. Research and development

Research expenditure is expensed as incurred. Development expenditure is also expensed as incurred, except where recognition criteria have been met for capitalisation as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised and amortised over the period during which the group is expected to benefit.

n. 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 or the company has substantially transferred the risks and rewards of ownership. Financial liabilities (or a part of a financial liability) are derecognised when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets and liabilities are offset only when the company has a currently enforceable legal right to set-off the respective recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(i) Borrowings

Interest bearing borrowings are recorded at the proceeds received, net of direct issue costs and subsequently measured at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are amortised to the income statement using the effective interest method.

(ii) Trade payables

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost.

(iii) Trade receivables

Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost less any provision for bad and doubtful debts.

3 Critical accounting estimates and judgements

The preparation of the financial statements under FRS101 requires the company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates, judgements and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Sources of estimation uncertainty

Impairment of property, plant and equipment and other intangible assets

As required, the company applies procedures to ensure that its assets are carried at no more than their recoverable amount. The procedures, by their nature, require estimates and assumptions to be made. Property, plant and equipment with a carrying value of £63,455,000 (2016/17: £65,299,000) and other intangible assets with a carrying value of £314,036,000 (2016/17: £276,534,000) are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Computer software under development is assessed for impairment annually. When a review for impairment is conducted, the recoverable amount of an asset or a cash generating unit is determined as the higher of fair value less costs to sell and value-in-use, calculated on the basis of management's assumptions and estimates. Refer to accounting policy property, plant and equipment and intangible assets for further information.

Post-employment benefits

The present value of the defined benefit liabilities recognised on the balance sheet is £21,239,000 (2016/17: £22,759,000) and is dependent on a number of assumptions including interest rates of high quality corporate bonds, inflation and mortality rates. The net interest expense or income is dependent on the interest rates of high quality corporate bonds. The assumptions are based on the conditions at the time and changes in these assumptions can lead to significant movements in the estimated obligations. To help the reader understand the impact of changes in the key market rates and assumptions, a sensitivity analysis is provided in note 16.

Judgements made in applying accounting policies

For Kingfisher Information Technology Services (UK) Limited there are no judgements made in applying accounting policies.

4 Net finance (costs)/income

£'000	2017/18	2016/17
Finance leases	-	(6)
Interest payable to Group undertakings	**(445)**	(303)
Finance costs	**(445)**	(309)
Net interest income on defined benefit pension schemes	**716**	870
Finance income	**716**	870
Net finance income	**271**	561

5 Profit before taxation

The following items of revenue have been credited in arriving at profit before taxation:

£'000	2017/18	2016/17
Sales	**219,799**	208,758
Management fee	**2,017**	1,597
Revenue	**221,816**	210,355

The following items of expense/(income) have been charged/(credited) in arriving at profit before taxation:

£'000	2017/18	2016/17
Research and development costs	**374**	404
Amortisation of other intangible assets [1]	**45,673**	49,733
Depreciation of property, plant and equipment		
- Owned assets	**17,372**	18,784
- Under finance leases	**121**	309
Impairment of property, plant and equipment	**641**	858
Impairment of other intangible assets	**253**	3,497
Staff costs	**25,529**	20,477
Fees payable to the company's auditor		
For the audit of the company's annual accounts	**30**	26
For independent assurance services	**50**	99

(1) Amortisation of other intangibles assets charge £45,673,000 (2016/17: £49,733,000) is included in cost of sales.

6 Employees and directors

£'000	2017/18	2016/17
Wages and salaries	**24,394**	19,824
Social security costs	**2,741**	2,158
Post-employment benefits		
- Defined contribution	**1,919**	1,673
- Defined benefit (service cost only)	**122**	111
Share-based compensation	**313**	809
Employee benefit expenses	**29,489**	24,575

Number	2017/18	2016/17
Cost of sales	**422**	354
Administration	**35**	34
Average number of persons employed	**457**	388

Director's remuneration

£'000	2017/18	2016/17
Salaries, fees, bonuses and benefits in kind	**1,218**	1,398
Company contributions to money purchase pension scheme	**41**	38
Director's remuneration	**1,259**	1,436

The number of directors who:

Number	2017/18	2016/17
Are members of a defined contribution pension scheme	**5**	5
Received shares under long term incentive schemes	**4**	5
Exercised options during the period	**2**	2

Remuneration of the highest paid director

£'000	2017/18	2016/17
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	**448**	516
	448	516

The highest paid director exercised share options during the year and received shares under a long term incentive scheme. There were no Company contributions to a money purchase pension scheme.

The emoluments of Mr D Palmer, Mr D Haycocks and Mr G Porter are paid by the company. The emoluments of Mr A Godwin are paid by the ultimate parent company and are recharged to this company. The emoluments of Mr M El Fanichi, who resigned from the company during the year, were paid by the company.

The emoluments of Mr S Willett and Mr P Moore (Secretary) are paid by the ultimate parent company. The company is recharged for a part of their time in proportion to the amount of resources dedicated to the company via the management fee.

7 Income tax expense

£'000	2017/18	2016/17
UK corporation tax		
Current tax on profits for the year	**2,315**	(3,879)
Adjustments in respect of prior years	**153**	(38)
	2,468	(3,917)
Deferred tax		
Current year	**290**	2,548
Adjustments in respect of changes in tax rates	**-**	372
Adjustments in respect of prior years	**(138)**	12
	152	2,932
Income tax expense	**2,620**	(985)

Factors affecting tax charge for the year

The tax charge for the year differs from the standard rate of corporation tax in the UK of 19.17% (2016/17: 20.00%). The differences are explained below:

£'000	2017/18	2016/17
(Loss)/profit before taxation	**(14,083)**	4,329
Profit multiplied by the standard rate of corporation tax in the UK of 19.17% (2016/17: 20.00%)	**2,700**	(866)
Temporary timing differences:		
Expenses not deductible	**(47)**	(21)
Adjustments in respect of prior years	**15**	(26)
Adjustments in respect of changes in tax rates	**(48)**	(72)
Income tax expense	**2,620**	(985)

The UK corporation tax rate reduced in the year from 20% to 19% with effect from 1 April 2017, and accordingly, the company's profits for this accounting period are taxed at a rate of 19.17% (2016/17: 20.00%).

From 1 April 2020 the UK corporation tax rate will fall to 17%. This change was enacted at the balance sheet date and has been reflected in the calculation of deferred tax balances.

Kingfisher Information Technology Services (UK) Limited

Notes to the financial statements for the year ended 31 January 2018

8 Intangible assets

£'000	Computer software	Total
Cost		
At 1 February 2017	**426,318**	**426,318**
Disposals	**(18,992)**	**(18,992)**
Additions	**83,428**	**83,428**
At 31 January 2018	**490,754**	**490,754**
Amortisation		
At 1 February 2017	**(149,784)**	**(149,784)**
Charge for the year	**(45,673)**	**(45,673)**
Disposals	**18,992**	**18,992**
Impairment losses	**(253)**	**(253)**
At 31 January 2018	**(176,718)**	**(176,718)**
Net carrying amount		
At 31 January 2018	**314,036**	**314,036**
At 31 January 2017	276,534	276,534

During the year an impairment loss of £253,000 (2016/17; £3,497,000) has been recognised within cost of sales for intangible assets which are deemed to have no value to the business. This is based on value in use.

9 Property, plant and equipment

£'000	Fixtures, fittings and equipment	Total
Cost		
At 1 February 2017	**139,702**	**139,702**
Disposals	**(19,363)**	**(19,363)**
Additions	**16,290**	**16,290**
At 31 January 2018	**136,629**	**136,629**
Depreciation		
At 1 February 2017	**(74,403)**	**(74,403)**
Charge for the year	**(17,493)**	**(17,493)**
Disposals	**19,363**	**19,363**
Impairment losses	**(641)**	**(641)**
At 31 January 2018	**(73,174)**	**(73,174)**
Net carrying amount		
At 31 January 2018	**63,455**	**63,455**
At 31 January 2017	65,299	65,299
Assets in the course of construction included above at net carrying amount		
At 31 January 2018	**20,196**	**20,196**
At 31 January 2017	14,451	14,451
Assets held under finance leases included above at net carrying amount		
At 31 January 2018	**99**	**99**
At 31 January 2017	220	220

During the year an impairment loss of £641,000 (2016/17 £858,000) has been recognised within cost of sales for assets which are deemed to have no value to the business. This is based on value in use.

10 Trade and other receivables

£'000	2017/18	2016/17
Current		
Corporation tax	**5,050**	1,573
Amounts owed by the parent	**505**	573
Amounts owed by other Group undertakings	**7,230**	29,042
Prepayments	**18,870**	19,928
Other taxation	**5,401**	8,681
Other receivables	**131**	17
Trade and other receivables	**37,187**	59,814

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 0.34% (2016/17: 0.36%).

11 Trade and other payables

£'000	2017/18	2016/17
Current		
Trade payables	**(26,777)**	(14,755)
Amounts owed to the parent	**(131,179)**	(115,545)
Amounts owed to other Group undertakings	**(9,125)**	(7,349)
Other taxation and social security	**(1,139)**	(1,005)
Accruals and other payables	**(21,378)**	(24,680)
Trade and other payables	**(189,598)**	(163,334)

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 0.34% (2016/17: 0.36%).

12 Finance leases

£'000	2017/18	2016/17
Due within one year	**-**	(45)
Finance leases	**-**	(45)

13 Borrowings

£'000	2017/18	2016/17
Current		
Finance leases	-	(45)
Borrowings	-	(45)

14 Deferred tax

£'000	2017/18	2016/17
Deferred tax assets	**393**	592
Deferred tax liabilities	**(7,730)**	(8,619)
	(7,337)	(8,027)

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so.

Deferred tax is provided as follows:

£'000	2017/18	2016/17
Accelerated tax depreciation	**(299)**	(653)
Post-employment benefits	**(7,431)**	(7,966)
Other	**393**	592
Total deferred tax	**(7,337)**	(8,027)

The company has historically been profitable and is anticipated to continue to be profitable. Therefore it is anticipated that there will be sufficient, suitable future taxable profits as the deferred tax assets unwind.

15 Provisions

£'000	Deferred Tax	Total
At 1 February 2017	**(8,027)**	**(8,027)**
Credit to income statement	**152**	**152**
Credit to other comprehensive income	**535**	**535**
Other	**3**	**3**
At 31 January 2018	**(7,337)**	**(7,337)**
At 1 February 2016	(11,161)	(11,161)
Credit to income statement	2,932	2,932
Credit to other comprehensive income	240	240
Other	(38)	(38)
At 31 January 2017	(8,027)	(8,027)
Current liabilities	-	-
Non-current liabilities	**(7,337)**	**(7,337)**
	(7,337)	**(7,337)**

16 Post-employment benefits

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

Defined contribution schemes

Pension costs for the defined contribution scheme, at rates specified in the scheme's rules, are as follows:

£'000	2017/18	2016/17
Charge to operating profit	**1,920**	1,673

From July 2012, an enhanced defined contribution scheme was offered to all Company employees. Eligible company employees have been automatically enrolled into the defined contribution scheme since 31 March 2013. As at 31 January 2018, contributions of £311,000 (2016/17: £nil) due in respect of the current reporting period had not been paid over to the schemes and are included in accruals and other payables.

Defined benefit schemes

The company is one of a number of Group companies that participate in the Kingfisher Pension Scheme, and therefore the company has accounted for its share of the scheme assets and liabilities. The valuation of the scheme has been based on the most recent actuarial valuation as at 31 March 2016 and has been updated to 31 January 2018.

The company's share of the net defined benefit cost is allocated in accordance with its share of the contractually agreed contributions. The estimated amount of contributions expected to be paid to the pension scheme by the company during the next financial year is £1,957,000 (2017/18: £1,940,000).

The final salary pension scheme was closed to future benefit accrual with effect from July 2012.

The Trust Deed provides Kingfisher with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business the Trustees have no rights to unilaterally wind up, or otherwise augment the benefits due to members of, the scheme. Based on these rights, any net surplus in the UK scheme is recognised in full.

In 2010/11 and 2011/12 the company entered into two phases of a property partnership arrangement with the scheme Trustee to address an element of the scheme deficit. Further details on this arrangement are given in note 26 of the consolidated financial statements of Kingfisher plc. The reported pension position reflects the Company's share of the resulting scheme asset.

Income statement

£'000	2017/18	2016/17
Operating cost	**334**	317
Net Interest income	**(716)**	(870)
Total credited to income statement	**(382)**	(553)

16 Post-employment benefits (continued)

Balance Sheet

Movements in the present value of the defined benefit obligation and the fair value of scheme assets are as follows:

£'000	Defined benefit obligation	Scheme assets	Total
At 1 February 2017	**(158,668)**	**181,427**	**22,759**
Interest (expense)/income	**(4,296)**	**4,678**	**382**
Actuarial (losses) [1]	**(3,809)**	**(42)**	**(3,851)**
Contributions paid by employer	**-**	**1,949**	**1,949**
Benefits paid	**7,951**	**(7,951)**	**-**
At 31 January 2018	**(158,822)**	**180,061**	**21,239**
At 1 February 2016	(125,569)	149,014	23,445
Interest (expense)/income	(4,544)	5,097	553
Actuarial (losses)/gains [1]	(33,581)	30,461	(3,120)
Contributions paid by employer	-	1,881	1,881
Benefits paid	5,026	(5,026)	-
At 31 January 2017	(158,668)	181,427	22,759

(1) Representing the total amounts recognised in other comprehensive income for the year.

The fair value of scheme assets is analysed as follows:

£'000	2017/18	2016/17
Equities	**12,604**	18,143
Government and corporate bonds	**118,840**	130,627
Property	**1,801**	1,814
Cash and Other	**46,816**	30,843
Total fair value of scheme assets	**180,061**	181,427

The following sensitivity analysis for the scheme shows the estimated impact on the obligation resulting from changes to key actuarial assumptions, whilst holding all other assumptions constant.

Assumption	Change in assumption	Impact on defined benefit obligation
Discount rate	Increase/decrease by 0.5%	Decrease/increase by £18m
Price Inflation	Increase/decrease by 0.5%	Increase/decrease by £14m
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £15m
Mortality	Increase in life expectancy by one year	Increase by £5m

17 Share capital

	Number of ordinary shares thousands	Ordinary share capital £'000
Authorised shares	**340,000**	340,000
Allotted, called up and fully paid at 01 February 2017 and 31 January 2018	**235,000**	235,000

The Company has one class of ordinary shares which carry no right to fixed income.

18 Share-based payments

The company participates in a number of share incentive plans including the Kingfisher Alignment Share Award, Kingfisher Incentive Share Scheme ('KISS'), Long Term Incentive Plan ('LTIP') and UK ShareSave scheme.

The Kingfisher Alignment Share Award is granted based on a three-year service condition. KISS operates as a deferred bonus, with share awards deferred for three years. LTIP was granted annually based on performance over a three-year period. Performance conditions were based on 50% EPS Operating Profit and 50% Kingfisher Economic Profit ('KEP'). All awards are granted as nil cost options and vesting dates may vary according to individual grants.

Under the ShareSave scheme, eligible employees have been invited to enter into HMRC approved savings contracts for a period of three or five years, whereby shares may be acquired with savings under the contract. The option price is the average market price over three days shortly before the invitation 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 all schemes 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. 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.

Options have been exercised on a regular basis throughout the year. On that basis, the weighted average share price during the year, rather than at the date of exercise, is £3.20 (2016/17: £3.53). The options outstanding at the end of the year have exercise prices ranging from nil to £3.15 and a weighted average remaining contractual life of 4.0 years (2016/17: 4.4 years).

The company recognised a total expense of £313,000 in the year ended 31 January 2018 (2016/17: £809,000) relating to equity-settled share-based payment transactions.

19 Capital commitments

Capital commitments contracted but not provided for by the company amount to £14,472,000 (2016/17: £10,179,000).

20 Ultimate parent undertaking

The Company's ultimate parent company is Kingfisher plc, which is incorporated in the United Kingdom and registered in England and Wales. The largest and smallest group into which the Company's financial statements are consolidated is that headed by Kingfisher plc. A copy of the Annual Report and Accounts for Kingfisher plc can be obtained from www.kingfisher.com. The company's immediate controlling party is Kingfisher International Investments SASU, which is registered in France.

21 Related party transactions

The company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.