

# Pension Scheme Report & Accounts

2006-2007

# Introduction

During the Scheme year under review, employees of UK companies within the Kingfisher Group were able to join the Kingfisher Pension Scheme, subject to certain eligibility conditions.

The Pension Scheme is a hybrid scheme, providing 'money purchase' benefits (i.e. based on what a member's accumulated fund value will purchase at retirement) for all employees recruited on or after 1 April 2004 or who otherwise elect to be provided with such benefits and 'final salary' benefits (i.e. based on a member's salary and service) for employees who joined the Scheme before 1 April 2004.

This Report gives information about the Scheme and its management during the Scheme year 2006/2007

## Financial Highlights

Income



06 - £49.9m

**£160.5m**

Expenditure



06 - £47.9m

**£53.7m**

Fund Value



06 - £1,258.7m

**£1,415.4m**

# Contents

|  |           |
|--|-----------|
| <b>Chairman's Review</b>   | <b>4</b>  |
| <b>Pension Scheme Information</b>  | <b>6</b>  |
| • Trustee Board  | 6         |
| • Administration   | 8         |
| • Participating Companies  | 8         |
| • Complaints Procedure   | 8         |
| <b>Trustee Board Report</b>  | <b>9</b>  |
| • Membership   | 11        |
| • Retirement and Death Benefits  | 13        |
| • Contributions  | 15        |
| • Additional Voluntary Contributions                                       | 15        |
| • Member Information   | 16        |
| • Financial and Actuarial Review   | 17        |
| • Advisers and Investment Managers   | 18        |
| <b>Investment Report</b>   | <b>19</b> |
| • Investment Objectives  | 19        |
| • Socially Responsible Investment  | 19        |
| • Corporate Governance   | 19        |
| • Custody of Assets  | 20        |
| • Investment Strategy - Final Salary Section                               | 20        |
| • Investment Strategy - Money Purchase Section                             | 22        |
| • Investment Background - Final Salary Section                             | 22        |
| • Investment Performance - Final Salary Section                            | 23        |
| • Investment Performance - Money Purchase Section                          | 24        |
| <b>Independent Auditor's Report</b>  | <b>26</b> |
| <b>Statement of Trustee's Responsibilities in respect of Contributions</b> | <b>27</b> |
| <b>Actuarial Statement, Certificate and Change of Scheme Actuary</b>       | <b>29</b> |
| <b>Statement of Trustees' Responsibilities for Accounts</b>                | <b>32</b> |
| <b>Financial Statements</b>  | <b>33</b> |
| • Notes to the Financial Statements  | 34        |
| <b>Contacts</b>  | <b>43</b> |

# Chairman's Review

I am pleased to present my review of the Scheme year ended 31 March 2007.

Once again, the past year has seen almost unprecedented media coverage on pensions with further stories of schemes closing and funding issues. This year has also seen much political debate from all parties about the need for individuals to be saving more for their futures as the cost of State provision continues to escalate.

This year also saw the introduction of new Inland Revenue legislation, which radically overhauled the existing eight Inland Revenue regimes and replaced them with one, simplified, regulatory environment designed to enable individuals to better understand their pension entitlements and the amount that could be saved and continue to enjoy tax relief. You will have received a number of communications from both the Trustees and the Company explaining in detail how this affected you, and I would like to thank the Pensions Team for the success of these communications. I firmly believe they have been able to explain complicated subjects in a clear, simple and concise manner.

Obviously this has had a significant impact on the workloads of the Pensions Team and again I would on behalf of the Trustees like to express our thanks for all their efforts over the year.

Last year, I reported that the Trustees had undertaken a review of the Scheme's Investment Strategy with an objective over the longer term to achieve a return on the Scheme's assets that exceeds the growth of the Scheme's liabilities, consistent with an acceptable degree of risk. As I reported last year, longevity, inflation and wage increases are significant risks to the value of the liabilities. In the past 12 months, the Trustees have implemented a new strategy designed to mitigate

the effect of inflation on the Scheme by entering into a number of contracts with Investment banks which in essence, mean the value of assets will move in line with the liabilities as inflation rates change. Further work is being undertaken in respect of mortality risk and I hope to report further on the subject next year.

This year, the Scheme will undergo its formal three yearly valuation which will enable the Trustees and the Company to assess the funding position of the Scheme in much greater detail and agree contribution rates to ensure we remain on track to achieve our long term funding objectives, which I have previously reported as being 'fully funded on a Gilts basis (least risk) by 2024'. At the last valuation, the Company agreed to increase their contributions to £40m per annum, plus of course, to invest a further £250m over a three year period. The bulk of these contributions have now been paid with the final £60m to be paid across later this year. Without wanting to 'second guess' the outcome of this year's valuation, this will of course have a positive effect on funding meaning greater security for members.

As last year, we will be sending all members a Summary Funding Statement which will give details of the Scheme's financial position to ensure all members are kept fully informed about the Scheme.

On the Trustee Board structure, Roger Blundell retired as a Trustee during the year and has been replaced by Tony Williams, Group HR Director. I would like to thank Roger for his efforts over the years and welcome Tony to the Board.

On the subject of Trustees, new legislation will require a change to the way Member Trustees are elected as Trustee Directors and further

announcements will be made later this year. This will be your chance to 'have your say' in the way the Scheme is managed and I look forward to the opportunity of discussing this in detail with many of you later this year.

Finally, I am pleased to announce that following an Independent Review commissioned by the Company, it has been agreed to purchase new computer systems for the Pensions Team which will revolutionise the way they both work, and communicate with the membership. Significant

work will be undertaken over the next 12 to 18 months with announcements made to you as the work develops.



Tony Stanworth  
**Chairman**  
Kingfisher Pension Trustee Ltd

## 2006-2007 Statistics Summary

### Membership

Final Salary Section



8,545



19,569

Money Purchase Section



3,470



618

**Active Members**

**Deferred Pensioners**

Final Salary Section



14,182



30,578

Money Purchase Section



0

**Pensioners & Dependants**

**Life Assurance Only**

### Assets

Final Salary Section



£1,408.5m

Money Purchase Section



£6.9m

# Pension Scheme Information

## Trustee Board

The Scheme is managed by Kingfisher Pension Trustee Limited, a company established specially to act as Trustee. As the Trustee is a company, there have to be directors; the directors of this trustee company form the Trustee Board and are colloquially termed 'Trustees'.

Trustees are drawn from all levels within the Kingfisher Group, including Val Struthers who is a pensioner. In addition, one of the Trustees, Charles Woodward, is not employed within the Group and is chosen for his complete independence as well as his knowledge and experience of pension matters.

Before taking up their appointment, new Trustee Board directors receive both external and internal training.

The Trustee Board monitors and oversees the Scheme through committees, which focus on specific aspects of day-to-day operations. The four Committees (Accounts and Audit, Benefits, Investment, and Sealing) report separately to the Trustee Board. The role of each Committee is briefly explained opposite.

## Changes to the Trustee Board

There is no set term of appointment to the Trustee Board, but appointments are reviewable after four years, or earlier if there is a change in a director's employment or personal circumstances. The power to appoint and remove Trustees rests with Kingfisher plc.

Under the terms of the Pensions Act 1995, Kingfisher plc opted out of the requirement to appoint Member Nominated Trustees, and alternative arrangements were adopted.

Roger Blundell resigned from the Trustee Board on 22 August 2006 and Angela Taylor resigned from the Trustee Board on 27 September 2006. Tony Williams was appointed on 22 February 2007.

## Accounts & Audit Committee

Membership: Charles Woodward (Chairman), Karl Lidgley, Tony Williams and Helen Jones.

The role of the Committee is to:

- Approve the Accounts of the Scheme and the Report to members;
- Arrange and approve the process of auditing the Accounts;
- Monitor controls and record keeping; and
- Approve budgets and monitor the expenses of running the Scheme.

## Benefits Committee

Membership: Tony Stanworth (Chairman), Helen Jones and Val Struthers.

The Committee meets as necessary to exercise the Trustee's discretionary powers, particularly in relation to:

- The distribution of lump sum death benefits; and
- The granting of ill-health early retirement pensions.

## Investment Committee

Membership: Charles Woodward (Chairman), Terry Hartwell, Val Struthers, Tony Williams and Alison Martin. In addition Duncan Tatton-Brown, Group Finance Director, is also a non-Trustee member of the committee.

The Trustee Board agrees the Scheme's Statement of Investment Principles. Day-to-day investment management is undertaken by external managers. The role of the Committee is to:

- Make recommendations to the Trustee Board on strategic issues;
- Monitor and review the managers; and
- Decide on manager appointments and terminations.

## Sealing Committee

Membership: Helen Jones (Chairman), Tony Stanworth and Val Struthers.

The role of the Committee is to authorise the affixing of the company seal to relevant documents.



### Tony Stanworth, Chairman

**Company:** Pensioner, Kingfisher  
**Committees:** Benefits (Chair)  
 Sealing  
**Based:** London  
**Appointed:** 30 March 1992



### Helen Jones

**Company:** Kingfisher  
**Committees:** Sealing (Chair)  
 Accounts & Audit  
 Benefits  
**Based:** London  
**Appointed:** 1 September 2003



### Charles Woodward

**Company:** Independent  
**Committees:** Accounts & Audit (Chair)  
 Investment (Chair)  
**Based:** France  
**Appointed:** 30 May 1992



### Alison Martin

**Company:** B&Q  
**Committees:** Investment  
**Based:** Essex  
**Appointed:** 21 June 2005



### Val Struthers

**Company:** Pensioner, B&Q  
**Committees:** Investment  
 Sealing  
 Benefits  
**Based:** Southampton  
**Appointed:** 13 March 1997



### Karl Lidgley

**Company:** B&Q  
**Committees:** Accounts & Audit  
**Based:** Northampton  
**Appointed:** 25 November 2005



### Terry Hartwell

**Company:** Kingfisher  
**Committees:** Investment  
**Based:** Southampton  
**Appointed:** 6 November 1998



### Tony Williams

**Company:** Kingfisher  
**Committees:** Investment  
 Accounts & Audit  
**Based:** London  
**Appointed:** 22 February 2007

# Pension Scheme Information

## Administration

The Trustee Board delegates day-to-day administration of the Pension Scheme to the Group Pensions Department of Kingfisher plc. The Trustee Board also delegates aspects of the day-to-day administration of the Money Purchase Section to The Standard Life Assurance Company. The delegated administration services are carried out in accordance with formal agreements governing the services to be provided.

The Scheme meets all the administrative costs incurred by Kingfisher Pensions Department and Standard Life.

## Participating Companies

| Company   | Date of Participation in Pension Scheme |
|---|---|
| B&Q plc   | 1 February 1988                         |
| B&Q (Guernsey) Ltd                                  | 1 February 1988                         |
| B&Q (Retail) Jersey Ltd                             | 1 February 1988                         |
| B&Q Properties Limited                              | 1 February 1987 to 31 July 2006         |
| Kingfisher plc                                      | 1 February 1987                         |
| Screwfix Direct Ltd                                 | 1 August 2000                           |
| Trade Depot   | 1 May 2005                              |
| Castorama Rus LLC                                   | 1 February 2007                         |
| Kingfisher Information Technology Services (UK) Ltd | 1 March 2007                            |

## Change in Participating Company

The Pensions Regulator formally approved the withdrawal of B&Q Properties Limited as a participating employer to the Scheme on 31 July 2006. Upon withdrawal the sum of £18.3 million was received by the Scheme from the Company representing the equivalent of the Section 75 debt.

A Deed of Participation for Castorama Rus LLC and Kingfisher Information Technology Services (UK) Ltd were approved on 1 February and 1 March 2007 respectively.

## Complaints Procedure

Complaints against the Pension Scheme should firstly be referred, in writing, to the Head of Pensions at Kingfisher for consideration under the Internal Dispute Resolution Procedure.

1. The complaint must be made in the prescribed format (a form is available from the Group Pensions Department) and any complaint should be submitted to the Head of Pensions, who will respond within ten working days. Where it is not possible to meet this deadline, an interim reply will be sent explaining the reason for the delay and giving an idea of when a reply may be expected.
2. If the complainant considers the matter still unresolved, they may ask for a review by the Independent Trustee Director who will consult with any two other Trustee Directors of his choosing who have not been involved (e.g. via the Benefits Committee in the exercise of a discretion) to decide the merit of the complaint and the action to be taken.
3. The Trustee Board has two months to arrive at a decision and to reply to the complainant or their representative. Where it is impossible to meet this deadline, an interim reply will be sent explaining the reason for the delay and giving an idea of when a reply may be expected.

At any point during the Internal Dispute Resolution Procedure, the complainant may contact The Pensions Advisory Service (TPAS). This organisation can help members and beneficiaries with pension difficulties they have not been able to resolve with their scheme trustees.

### Address:

The Pensions Advisory Service,  
11 Belgrave Road, London, SW1V 1RB  
Telephone: 0845 6012923  
(all calls are charged at local rates)

If the problem remains unresolved, the complainant may contact the Pensions Ombudsman. He can investigate and determine complaints or disputes of fact or law, referred to him in accordance with the Pensions Schemes Act 1993.

The decision of the Pensions Ombudsman is binding on both the member and their pension scheme.

### Address:

The Pensions Ombudsman,  
11 Belgrave Road, London, SW1V 1RB  
Telephone: 020 7834 9144



# Trustee Board Report

The Scheme provides retirement and death benefits by means of a trust which is independent of the participating companies' financial affairs.

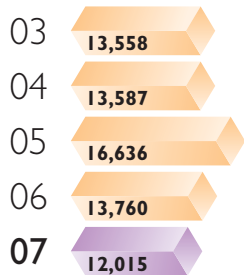
Following a review of retirement benefits, the Scheme was amended with effect from 1 April 2004 and became a hybrid scheme, providing 'money purchase' benefits (i.e. based on what a member's accumulated fund value will purchase at retirement) for all UK employees recruited on or after 1 April 2004, or who elect to join the Scheme or otherwise elect to be provided with money purchase benefits after that date, and 'final salary' benefits (i.e. based on a member's salary and service) for employees who joined the Scheme before 1 April 2004 (and do not elect to be provided with money purchase benefits). The two sections of the Scheme are referred to respectively as the Final Salary Section (or KPS-FS) and the Money Purchase Section (or KPS-MP). A summary of the changes introduced on 1 April 2004, and the benefits now provided by the respective sections of the Scheme is provided on page 13.

During the Scheme year under review:

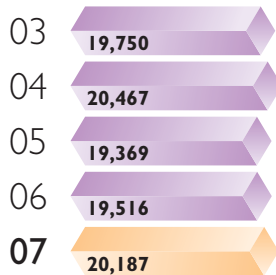
- the Money Purchase section of the Scheme was open to all UK companies and their employees within the Kingfisher Group, subject to certain employee eligibility conditions;
- the Scheme was governed by the Definitive Trust Deed and Rules (as amended inter alia by a Deed of Amendment dated 31 March 2004) and has been a registered pension scheme under paragraph 1(1) of Schedule 36 of Finance Act 2004 from 6 April 2006 and before that date was an exempt approved scheme under section 591(1) Income and Corporation Taxes Act 1988;
- members of the Final Salary Section were contracted-out of the State Second Pension (S2P) whilst members of the Money Purchase Section participated in S2P.

# Trustee Board Report

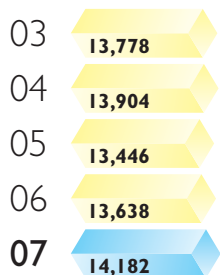
## Five Year Summary at 31 March 2007



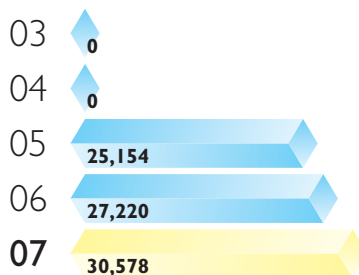
Active Members



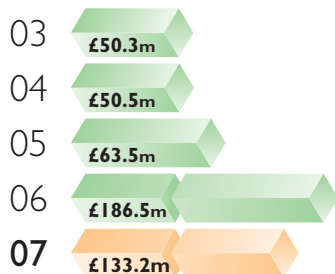
Deferred Pensioners



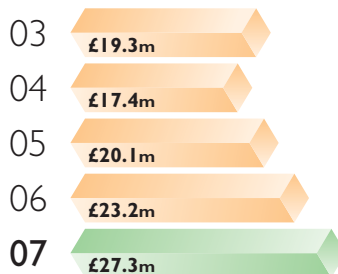
Pensioners & Dependants



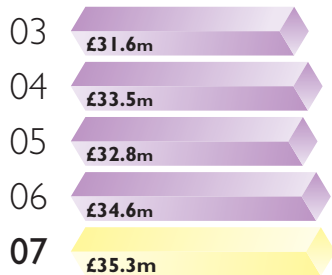
Life Assurance Only Members\*



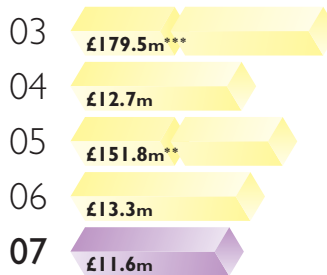
Income - Contributions & Transfer Values



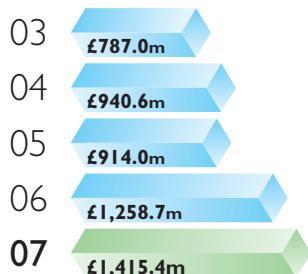
Income - Investment



Expenditure - Pensions



Expenditure - Other Benefits & Expenses



Fund Value

\* From 1 April 2004, a lump sum death benefit is provided for all employees in the event of their death while still working for a participating company.  
 \*\* Includes a bulk transfer of approximately £142 million  
 \*\*\* Includes a bulk transfer of approximately £166.2 million

## Membership

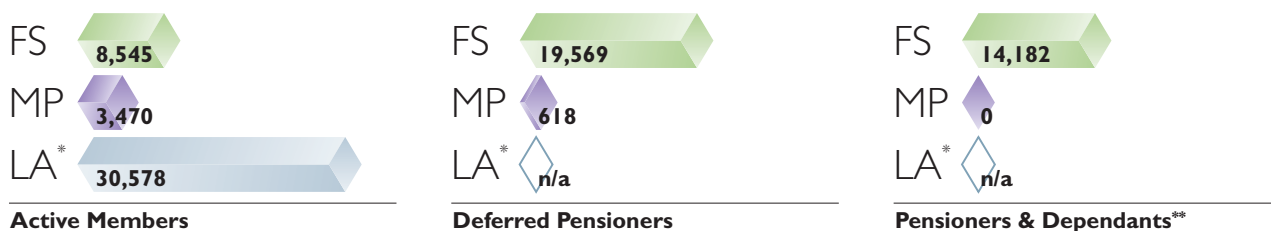
Membership of the Money Purchase section of the scheme is open to all employees of UK companies within the Kingfisher Group who satisfy the entry qualifications set by their employer, which are broadly similar. There are three categories of membership within the Scheme:

**Active members** (currently contributing employees who are members of the Scheme).

**Deferred pensioners** (members who have left service or otherwise ceased active membership and have the right to a future pension under the Scheme).

**Pensioners** (members who have retired and are in receipt of a pension and dependants who are in receipt of a pension following the death of a member).

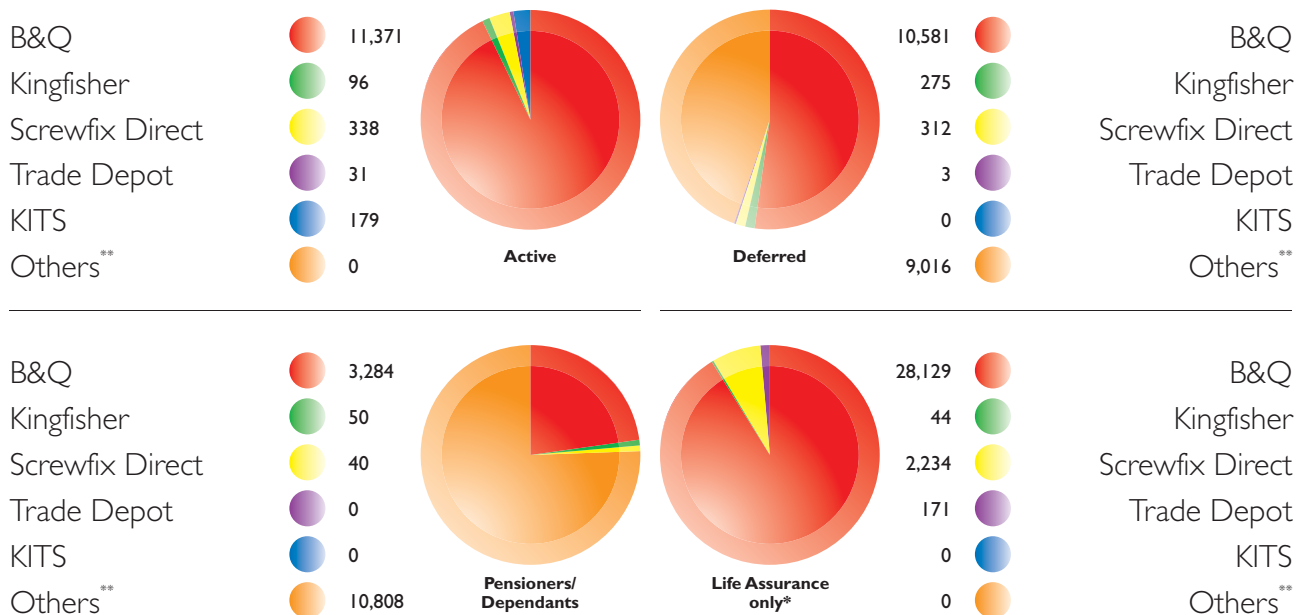
### Membership at 31 March 2007\*



\* From 1 April 2004, a lump sum death benefit is provided for all employees in the event of their death while still working for a participating company.  
 \*\* The Trustees discharge their liability to provide pensions for retired members of the Money Purchase Section by purchasing annuity policies in the name of individual members

**Key:**  
 FS - Final Salary Section  
 MP - Money Purchase Section  
 LA\* - Life Assurance Only\*\*

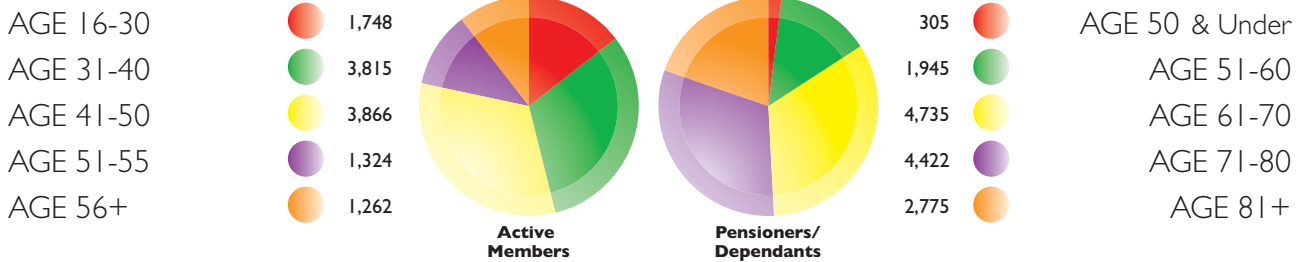
### Membership by Operating Company at 31 March 2007



\* From 1 April 2004, a lump sum death benefit is provided for all employees in the event of their death while still working for a participating company.  
 \*\* Includes former participating companies Woolworths group, Superdrug, Entertainment UK, MVC and VCI

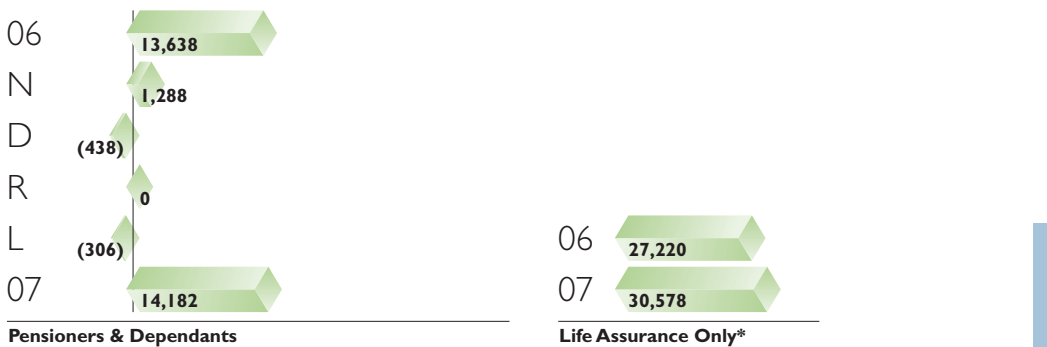
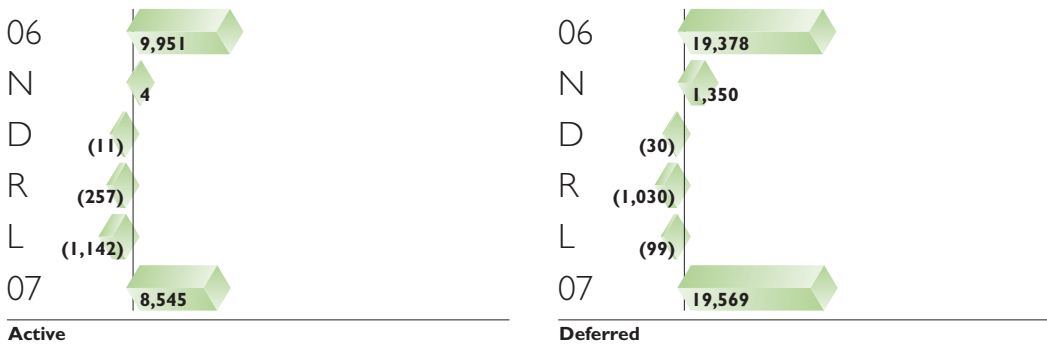
# Trustee Board Report

## Age Profile at 31 March 2007



## Changes in Membership during the Year at 31 March 2007

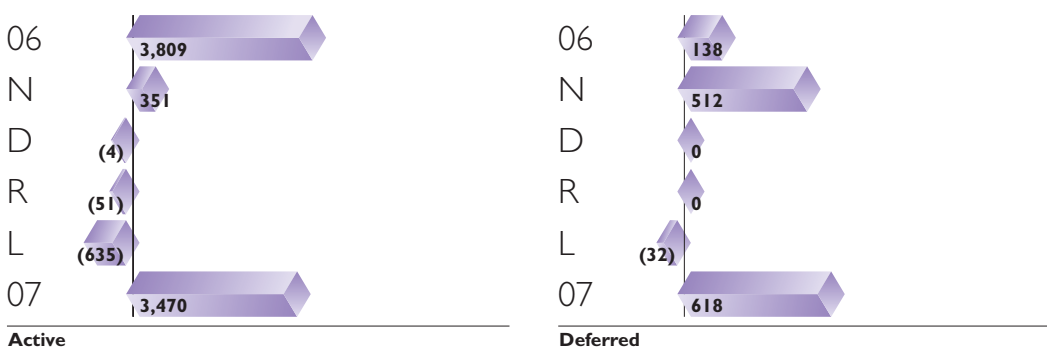
### Final Salary Section



**Key:**  
 06 - At 31 March 2006  
 N - New  
 D - Deaths  
 R - Retirements  
 L - Leavers  
 07 - At 31 March 2007

\* From 1 April 2004, a lump sum death benefit is provided for all employees in the event of their death while still working for a participating company.

### Money Purchase Section



The Trustees discharge their liability to provide pensions for retired members of the money purchase section by purchasing annuity policies in the name of individual members

## Retirement and Death Benefits

The following is intended as a brief outline of the Scheme, and further details can be found in the explanatory booklets described on page 16. The legal position is governed by the Trust Deed and Rules, copies of which are available to members. Legal reliance should be placed only on this formal document.

### Final Salary Section

#### Pension at retirement

From age 50 onwards (age 55 from 6 April 2010), a pension based on either 1/60th or 1/80th of salary for each year of Scheme service to the date of actual retirement (depending on the member's chosen option during the consultation period between 1 January and 31 March 2004 subject to any later decision by the member to contribute at a lower rate), with a percentage reduction for each year of early payment before age 60 (65 on post 1/12/06 service for members retiring from deferred status). Under current legislation, part of the pension may be exchanged for a tax-free lump sum.

#### Pension Increases

Pensions in payment receive guaranteed annual increases matching the rise in the Retail Prices Index (during a calendar year) up to a maximum of 5%. Where inflation exceeds 5%, the Company may consider the payment of additional discretionary increases.

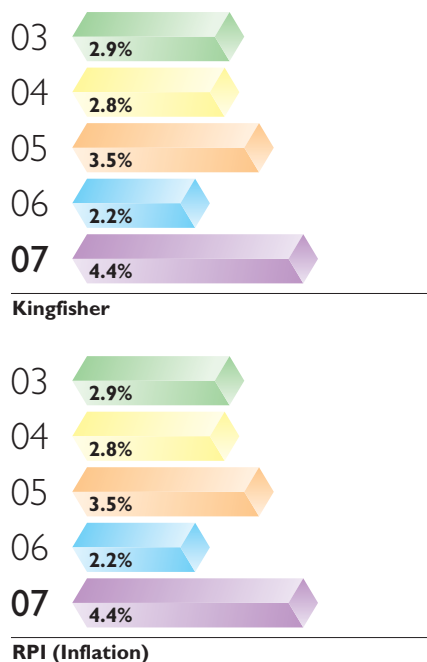
Increases from the Scheme do not apply to that element of the pension representing any Guaranteed Minimum Pension (GMP) in payment after age 60 for females or 65 for males (which the Scheme is required to provide as a consequence of contracting-out of SERPS) earned before 6 April 1988, as these increases are provided along with the State pension. The GMP element earned after April 1988 will be increased by the Scheme in line with inflation, as required by legislation, up to a limit of 3% per annum.

From time-to-time, special pension increases have been awarded (in 1986, 1990 and 1999).

The Pension Increases chart shows the level of increases over the last five years.

Both Jersey and Guernsey have their own Retail Prices Index (3.7% and 4.4% respectively at December 2006) and increases for Channel Islands pensioners are calculated in accordance with these.

## Pension Increases



Since April 1978, final salary schemes have been able to contract-out of the State additional pension scheme (known until April 2002 as the State Earnings Related Pension Scheme (SERPS) and now known as the State Second Pension (S2P)); in doing so, a member and their employer do not pay full-rate NI contributions.

Because this reduced the member's SERPS pension, prior to 6 April 1997 a contracted-out scheme had to guarantee to pay a minimum pension so that the member would not be disadvantaged. Following the Pensions Act 1995, with effect from 6 April 1997 contracted-out final salary schemes no longer have to guarantee to provide a minimum pension. Instead, they are required to pass a 'Reference Scheme Test'. Consequently, members who joined after 6 April 1997, do not have a GMP, and the GMPs of members who joined before 6 April 1997 stopped accruing at that date.

#### III-Health retirement

Subject to medical evidence, a pension may be payable (irrespective of age), based on actual Scheme membership, with no reduction for early payment.

If earning capacity is seriously impaired, then the pension may be based on a maximum of full potential Scheme membership to age 65.

# Trustee Board Report

Active members who take ill-health early retirement remain covered by the lump sum death benefit of four times their annual Salary (at the date of retirement) until they reach age 60.

## Death

While in employment, a lump sum of four times Pensionable Salary is payable, plus a refund of the member's contributions together with interest related to the Retail Price Index (up to a limit of 5% per annum).

A dependant's pension and children's allowances may be payable on death either before or after retirement.

For employees not provided with pension benefits, on death while in employment, a lump sum of two times Pensionable Salary is payable.

## Leaving

A pension deferred until retirement, with the option of a refund of member contributions for those with less than two years' qualifying service.

The value of a member's benefits under the Scheme is fully transferable to a suitable pension scheme of a new employer or personal pension arrangement.

Deferred pensions continue to receive increases before retirement as required by legislation.

## Transfer Values

Transfer values were calculated in accordance with the provisions of the Pension Schemes Act 1993 on a basis agreed between the Trustees and the Actuary. The amount available for transfer is the 'cash equivalent' of a member's benefits under the Scheme. It does not take account of any future benefits that may be payable at the discretion of the Trustees or the Company. No payments were reduced below the actuarially calculated value.

## Scheme/Earnings Cap

With effect from 6 April 2006 the Earnings Cap was abolished, however Scheme's can impose their own cap known as the 'scheme specific earnings cap'. For the 2006/2007 tax year the scheme specific earnings cap for the Kingfisher Pension Scheme is £108,600. Going forward, in practice this only applies to the final salary section of the scheme.

## Money Purchase Section

### Retirement

From age 50 onwards (age 55 from 6 April 2010), a pension is based on the value of the member's retirement account and annuity rates at the date of retirement. Under current legislation, a portion of the retirement account may be taken as a tax-free lump sum. Pensions will increase as required by legislation and depending on the type of annuity selected by the member.

### Ill-Health retirement

Subject to medical evidence, a pension may be payable (irrespective of age), dependent on the value of the member's retirement account at the date of retirement.

### Death

While in employment, a lump sum of two times Pensionable Salary is payable, plus a refund of the member's retirement account.

### Leaving

A pension deferred until retirement, provided two years' qualifying service have been completed. For members with less than two years' qualifying service, a refund of member contributions is payable.

The value of a member's Scheme benefits under the Scheme is fully transferable to a suitable pension scheme of a new employer or personal pension arrangement.

Deferred benefit entitlements continue to enjoy the returns generated by the respective investment funds underlying the member's retirement account.

### Transfer Values

Transfer values were calculated in accordance with the provisions of the Pension Schemes Act 1993. The amount available for transfer is the 'cash equivalent' of a member's benefits under the Scheme.

### State Pension

Members of the Scheme retain their entitlement to the Basic (Old Age) State Pension. Members of the Money Purchase Section are also entitled to the State Second Pension.

## Contributions Payable to the Scheme

A new Schedule of Contributions was introduced at 1 April 2004 and certified by the Scheme Actuary. Following completion of the Actuarial Review at 31 March 2004 (see page 17 for further information), a new Schedule of Contributions was introduced at 1 March 2007 and certified by the Scheme Actuary.

### Final Salary Section

Members' contributions are either 7% or 5% of Pensionable Salary depending on the member's chosen option during the consultation period between 1 January and 31 March 2004 (see page 6) subject to any later decision to pay contributions at the lower rate.

Participating companies meet the balance of the cost to ensure that the Scheme is able to meet its estimated future commitments. During the Scheme year under review, the employer contributions were £40 million, in addition to this 'additional' employer contributions of £78 million were paid in July and August 2006. This is shown as a normal employer contribution as it is accounted for in the Schedule of Contributions.

### Money Purchase Section

Member's core contributions are 3% of Pensionable Salary. At the member's option, additional core contributions may be paid, which will be matched by the Company up to a maximum of an additional 2% (5% in certain circumstances) of Pensionable Salary.

Members who during the consultation period between 1 January and 31 March 2004 (see page 11) chose to join the Money Purchase Section on terms similar to those provided by the Kingfisher Retirement Trust, do not contribute to the Money Purchase Section, and the Company contributes 1% of Pensionable Salary on their behalf.

### Company Additional Contributions

It is on occasion considered appropriate by the employer to enhance a member's benefits available from the Scheme. Where an employer chooses to do this, they are required to pay an additional amount to the Scheme (in the case of a member of the Final Salary Section and where applicable, to cover the cost of providing a stated level of benefits). The amount paid is calculated in accordance with instructions provided by the Scheme Actuary. The payment of such amounts is included within the Schedule of Contributions.

## Additional Voluntary Contributions

AVCs provide an opportunity for members of the Scheme to increase their retirement benefits. AVCs are a tax-efficient way of providing extra benefits as the amount paid in contributions currently attracts tax relief at the member's highest rate of taxation and the fund builds up in a favourable tax environment.

AVCs paid by members of the Final Salary Section are invested separately from the other Scheme assets to ensure there are individual funds for each member which are clearly identifiable. Each member of the Money Purchase Section is allocated an individual clearly identifiable investment fund (known as a retirement account) and AVCs paid by such members are invested in the same fund.

### Final Salary Section

Members of the Final Salary Section have a choice of:

- The With-Profits Fund currently invested with the Prudential Assurance Company, which aims to provide steady growth with a guarantee that if the monies are left in the Fund until retirement, they will only increase in value.

The annual bonus rate during the year was 3% and is retained at the same rate from 1 April 2006. This bonus becomes part of the member's fund on which future bonuses will be calculated. When the benefits become payable, there is the possibility of an additional Terminal Bonus.

- Unit-linked funds, where the value of the funds are directly linked to stock and bond markets. Returns are not guaranteed and fund values can fall as well as rise.

Unit-linked funds are currently invested with two AVC providers: Blackrock (formerly Merrill Lynch Investment Managers) and the Legal and General Assurance Company, who offer a range of investment funds using active and passive management approaches.

At the year end, there were 1,135 active members with AVC accounts. There were also 2,449 deferred members with AVC accounts.

Details of the value of members' AVC funds are included in Personal Benefit Statements.

# Trustee Board Report

Full details of the Final Salary AVC Scheme can be found in the explanatory booklet *The KPS AVC Guide*, available online at the pension's website [www.kingfisherpensions.com](http://www.kingfisherpensions.com) or from personnel departments.

## Money Purchase Section

AVCs paid by members of the Money Purchase Section are invested in the same underlying funds as already selected by them for the investment of their core contributions.

At the year end, there were 51 active members paying AVCs.

## Member Information

Membership of the Pension Scheme is voluntary. The Trustee Board, together with the participating companies, is committed to providing easy-to-understand information to existing members and those eligible to join. This information includes:

- Personal Benefit Statements, which give individual members information annually on the benefits they may receive.
- *Talking Pensions*, a magazine explaining in an informal way the options open to employees.
- *Your Guide to the Money Purchase Section of the Kingfisher Pension Scheme* and *Choosing your Investments*, the explanatory booklets for the Money Purchase Section.
- *Your Guide to the Final Salary Section of the Kingfisher Pension Scheme*, the explanatory booklet for the Final Salary Section.
- *The KPS AVC Guide*, a booklet for members of the Final Salary Section giving full details of the available AVC options.

All of these publications are online at our website [www.kingfisherpensions.com](http://www.kingfisherpensions.com), alternatively, they may be obtained from the relevant person shown as the relevant company contact on page 43.

## The Pension Schemes Registry

The Pension Schemes Registry holds details of pension schemes to assist individuals in tracing past pension benefits. Information on the Pension Scheme has been given to the Registrar. The registration number of the Scheme is 100797763.

Address:  
The Pension Schemes Registry  
PO Box INN  
Newcastle-upon-Tyne  
NE99 INN

Telephone: 0191 225 6316

## The Pensions Regulator (tPR)

TPR's main function is to supervise trustees and scheme administration, and it is able to intervene in the running of a pension scheme where trustees, employers or professional advisers have failed in their duties.

Address:  
TPR, Napier House  
Trafalgar Place  
Brighton  
East Sussex  
BN1 4DW

Telephone: 01273 811800



## Financial And Actuarial Review

### Financial Review

The value of the Scheme's net assets at 31 March 2007 was £1,415 million, an increase of £156 million from 31 March 2006. Further details are given in both the Fund Account on page 33 and the Notes to the Financial Statements on pages 34 to 42.

The Investment Report on pages 19 to 25 provides more information on the investment background, strategy and performance over the year.

They have been prepared and audited in accordance with regulations made under Section 41(1) and (6) of the Pensions Act 1995.

### Actuarial Review

The financing of the Scheme is subject to regular review by the Actuary. The main purpose of a review (Actuarial Valuation) is to assess the adequacy of the fund and the level of contributions necessary to maintain the financial soundness of the Scheme in relation to benefits that have accrued and will accrue to members and their dependants. These reviews normally occur every three years.

Although a valuation was carried out at 31 March 2002, the Trustees decided that an additional valuation should be carried out at 31 March 2004 following the bulk transfer out of Comet members. The data used, and the results and recommendations of the valuation report refer to the Final Salary Section.

The 2004 Valuation showed that the long-term rate of employer's contribution required to cover the accrual of future service benefits (including an allowance for administrative expenses) is £40 million p.a. subject to review at the next triennial valuation.

In addition, the participating companies have agreed to pay additional lump sum contributions in three installments of £130million, £60 million and £60 million in the years to 31 January 2006, 31 January 2007 and 31 January 2008 respectively.

The first additional employer contribution of £130 million was paid in September 2005 and the second of £60 million was paid in August 2006.

The Actuary's Statement is shown on page 29.

# Trustee Board Report

## Advisers and Investment Managers

|                                    |   |
|------------------------------------|---|
| Actuary                            | Neil Mobbs (Watson Wyatt Ltd)   |
| Auditor                            | KPMG LLP  |
| Bankers                            | Barclays Bank PLC   |
| Investment<br>Final Salary Section | <p>Axa Rosenberg Investment Management Ltd</p> <p>Blackrock Investment Management (UK) Ltd<br/>(formerly Merrill Lynch Investment Managers)</p> <p>Deutsche Asset Management Limited</p> <p>European Credit Management Limited<br/>- from 28 April 2006</p> <p>Gartmore Investment Management plc<br/>- to 30 June 2006</p> <p>Goldman Sachs Asset Management International<br/>- from 17 September 2006</p> <p>Legal &amp; General Assurance (Pensions Management) Ltd</p> <p>London Life Limited</p> <p>Morley Fund Management Limited</p> <p>PIMCO Europe Limited - from 1 July 2006</p> <p>Prudential Assurance Company Limited</p> <p>State Street Global Advisors UK Limited</p> <p>Wellington Management International Limited</p> <p>Western Asset Management Company Limited</p> |
| Money Purchase Section             | Standard Life Investments   |
| Custodian<br>Final Salary Section  | State Street Bank & Trust Company   |
| Money Purchase Section             | Standard Life Investments   |
| Solicitors                         | Mayer Brown Rowe & Maw LLP  |

# Investment Report

The purpose of this report is to advise Members of the Trustee's investment policy and provide an outline of the general economic background prevailing during the year under review.

## Investment Objectives

The Scheme's funding objective is to achieve full funding on a gilts-basis (least risk) over a 20 year time horizon. This is to be achieved through a combination of payments into the Scheme and investment returns.

Therefore, the investment objective is to achieve a return on assets over the longer term that exceeds the growth of liabilities on a gilt matched basis with an acceptable degree of risk measured in terms of fluctuation in this funding level (defined as assets divided by liabilities).

This objective is subject to annual monitoring by the Investment Committee with a triennial review following the completion of an actuarial valuation.

The objectives form the basis from which the Investment Committee develops a strategy approved by the Trustee Board, which is discussed with the principal employer. It is then for the Investment Committee to implement that strategy in terms of asset allocation and the appointment and monitoring of the appropriate managers.

The Scheme's funding and investment objectives, together with full details of the relevant processes, are set out in the 'Statement of Investment Principles', copies of which are available by writing to the Group Pensions Department at the address shown on page 43.

The charts on pages 20 and 21 illustrate the current allocations by asset type, investment manager and geographical spread. Further details of the investment objectives and performance of each manager can be found on pages 23 to 24.

In respect of the Money Purchase Section, the Scheme's long-term investment objective can be stated as being to consider members' circumstances, protect their interests and to make available a series of funds designed to enable appropriate decisions to be taken.

## Socially Responsible Investment

Under the 1995 Pensions Act, from July 2000 trustees of occupational pension schemes must state in their Statement of Investment Principles (SIP) whether or not they operate an ethical investment policy. The law requires that trustees should act in the best interests of all beneficiaries, which generally means their best financial interests.

The Trustee Board believes that all companies should be run in a socially responsible way as in the long run this will contribute to the success of those companies, but equally recognises its fiduciary responsibility to act in the best financial interests of the Scheme's members. Therefore, the Trustee Board's policy is that the investment managers should take account of social, environmental and ethical considerations to the extent that they may have a financial impact on investment performance. With this in mind, the Trustee Board also encourages managers to pursue policies of engagement with the companies in which they invest funds.

The Trustee Board, however, recognises that because of the need to closely track the Index benchmarks, it is not appropriate for the Scheme's passive managers (see pages 23 to 24 for details of the investment managers) to take account of social, environmental or ethical considerations in the construction of their portfolios. However, the Trustee Board also encourages its passive managers to pursue policies of engagement with the companies in which they invest funds.

## Corporate Governance

The Scheme has instructed its investment managers to, whenever possible, exercise voting rights attaching to investments. While in the majority of circumstances the managers are instructed to exercise their professional judgment on how the 'vote' is exercised, in potentially contentious situations the Investment Committee is consulted.

The Investment Committee regularly reviews how the investment managers exercise the Scheme's voting rights and continues to monitor the debate on corporate governance and the role shareholders should play.

# Investment Report

## Custody of Assets

In respect of the Final Salary Section, although the Trustee Board has delegated day-to-day management of the Scheme's investments to external managers, the custody (safekeeping) of most of these assets is presently carried out independently of the managers by State Street Bank and Trust Company Limited.

In respect of the Money Purchase Section, the custody (safekeeping) of these assets is carried out by the manager, Standard Life Investments.

## Investment Strategy - Final Salary Section

The Trustees will seek to achieve the investment objectives through investing in a suitable mixture of return seeking (e.g. UK and overseas equities and property) and matching (e.g. bonds and derivatives) assets. It is recognised that the income or profits on return seeking assets, while expected to be greater over the long term than those on matching assets, are likely to be more volatile and that asset allocation is one of the key decisions of pension fund investment with significant implications for long term investment return.

The asset allocation strategy is to have 100% investment in an appropriate bond portfolio by 2024. The Trustees wish to move to the target asset allocation in a cost efficient manner that is also mindful of the assumptions within the actuarial valuation. To this end, a switching strategy is in place to facilitate the transfer from the existing asset allocation to the target asset allocation. The pace and magnitude of switches from the return-seeking assets to the matching assets will be decided

upon based on the monitoring of the Scheme's solvency position and the implied contribution level.

The intention is for future contributions (net of relevant payments and expenses) to be invested in bonds and for sufficient switching to occur so that the Scheme is holding no more than 20% return-seeking assets by 2014.

This strategy will, as in previous years, involve the Scheme's asset classes and geographic areas. This diversified spread is designed to deliver the Scheme's required investment performance in a risk controlled manner.

The Scheme has entered into derivative interest rate and inflation swap contracts to alter the duration and inflation exposure of the bond assets to better reflect the Scheme's liabilities and cash flow profile in order to ensure that the investment manager's are able to cover exposed positions (e.g. risk reduction) and to increase or decrease exposure to markets, other than by direct investment, following asset allocation decisions.

## Derivatives

Restrictions are imposed on the use of derivatives and will be used by the Scheme for risk management purposes, as part of the strategic asset allocation policy. The Scheme is currently involved with the following types of derivatives;

- Futures contracts are contracts to sell or buy a standard quantity of a specific asset at a pre-determined future date, at a price agreed by and traded through an exchange.

## Target Asset Allocation

| Asset Class |                              | Mandate          | Proportion of fund allocated |
|-------------|------------------------------|------------------|------------------------------|
| Equities    | Axa Rosenberg                | Active – UK only | 15%                          |
|             | Wellington Management        | Active – Global  | 10%                          |
|             | State Street Global Advisors | Passive – Global | 28%                          |
| Bonds       | European Credit Management   | Active – Global  | 4%                           |
|             | Goldman Sachs                | Active – Global  | 4%                           |
|             | PIMCO                        | Active – Global  | 7%                           |
|             | Western Asset Management     | Active – Global  | 7%                           |
|             | State Street Global Advisors | Passive – Global | 16%                          |
| Property    | Morley Fund Managers         | -                | 9%                           |

- Forward foreign exchange contracts are contracts whereby two parties agree to exchange currencies on a specified future date at an agreed rate of exchange.
- Options are contracts that give the purchaser, the right, but not the obligation, to buy (call option) or sell (put option), from/to the seller of the option, a specified quantity of a particular product at a specified price.
- Swaps are over-the-counter contracts where the parties to the contract agree to exchange cash flows, the amount of which is determined by reference to an underlying asset, index, instrument or notional amount. One party pays to the other a fixed rate of interest on the notional capital amount and receives in return the floating rate of interest on the same notional amount.

Geographical Spread of Assets

2007

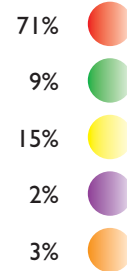
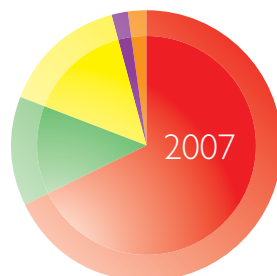
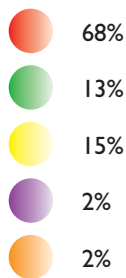
UK

Europe

North America

Japan

Others



2006

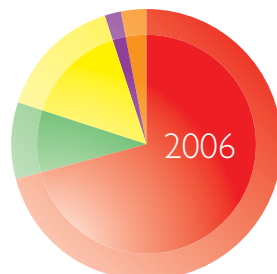
UK

Europe

North America

Japan

Others



Distribution of Scheme Assets

2007

UK Equities

Overseas Equities

Fixed Interest

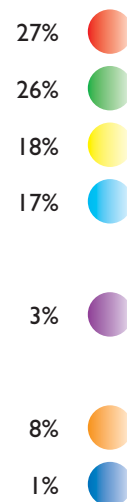
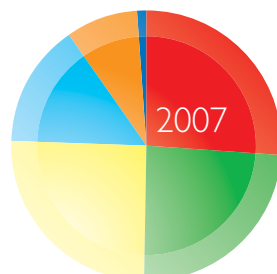
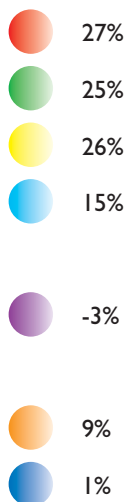
Index Linked

Quoted

Cash and Cash Instruments

Property

AVC funds



2006

UK Equities

Overseas Equities

Fixed Interest

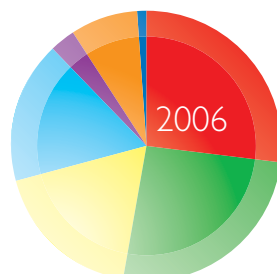
Index Linked

Quoted

Cash and Cash Instruments

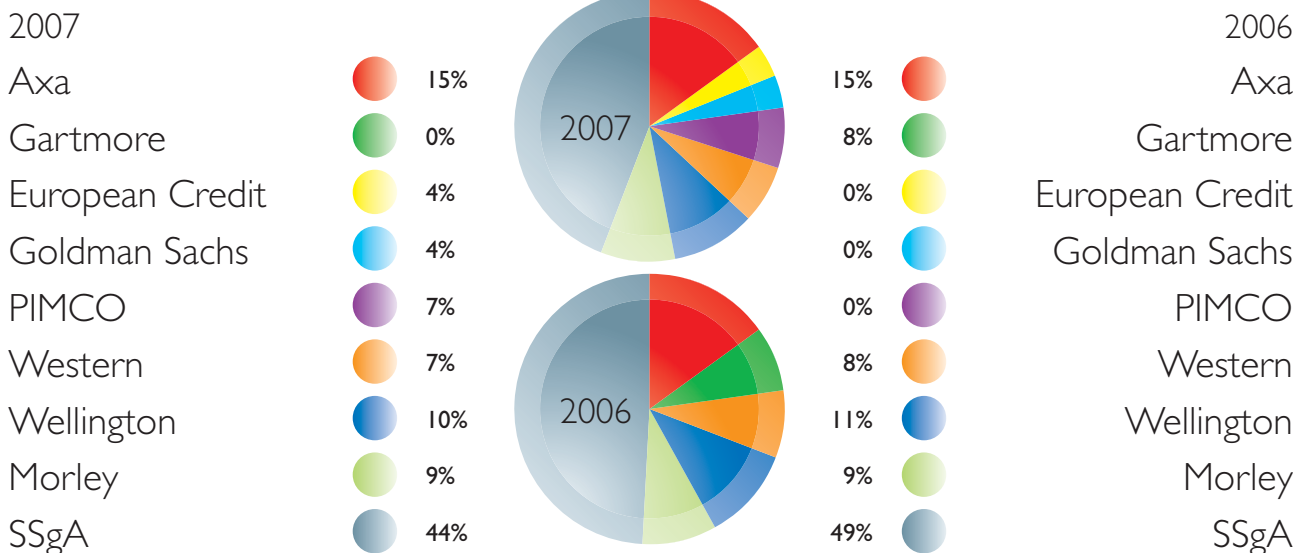
Property

AVC funds



# Investment Report

## Distribution by Investment Manager



### Investment Strategy - Money Purchase Section

The strategy to achieve the investment objectives of the Money Purchase Section involves the Scheme's assets being spread across a number of asset classes and geographic areas. The assets are invested in unit linked arrangements, wrapped in insurance policies, managed by Standard Life Investments.

The Trustees make available a range of investments via pooled funds, which seek to:

- Establish a financially efficient scheme that provides attractive and robust long term investment options to members that recognise their investment challenge and incorporate institutional best practices
- Enable members to protect their benefits as they approach retirement
- Limit the scope of members to need to take detailed investment decisions.

Currently the Trustees offer three Lifestyle strategies which involve automatic switches from predominantly equities to fixed interest and cash funds as the target retirement date approaches. In addition, the Trustees offer a number of funds offering specific equity, bond or cash investments which may be selected by members instead of the Lifestyle options.

The Money Purchase Section does not hold shares directly in Kingfisher plc.

### Investment Background

#### Final Salary Section

##### Equities

Over the Scheme year economic growth continued apace and although inflation became a greater concern, equity markets generally produced good returns.

Equity markets were weak at the start of the period, with performance globally being dominated by concerns over central bank tightening and its impact on economic growth. All regions were impacted, but those most exposed to global growth were worst affected. As the year progressed, increased tension in the Middle East saw further weakening in the equity markets, which then reversed in the summer due to the strength in corporate earnings and encouraging statements from the US Federal Reserve on the outlook for inflation, leaving interest rates unchanged and the oil price fell. High levels of corporate activity in mergers and acquisitions provided further support to the markets. Strong equity market performance continued during the final months of 2006, although it was volatile. The US maintained its interest rates, but the Bank of England and the European Central Bank increased theirs as did Japan in the new year.

The first quarter of 2007 saw a continuation of generally strong equity performance along with a significant increase in volatility. Modest January rises were followed by sharp falls at the end of February as a result of concerns over the tightening of government

controls in the Chinese equity market and a rebound in March with investors fears being allayed, although tempered with concerns over the US sub-prime mortgage market. UK and European markets proved resilient with sustained economic and corporate earnings growth, improved business sentiment and the continuing strength of mergers and acquisitions activity.

### Bonds

Bond markets were broadly flat or negative, as rising interest rates pushed up bond yields leading to losses of capital value. The situation was exacerbated for overseas bonds by the falling of the US dollar and yen against sterling. UK Index linked fared better than conventional bonds and corporate bonds remained well supported due to robust fundamentals.

### Property

Investor demand has been the key driver of property returns over the period. Retail activity continued to improve despite the muted sales background, with rental growth holding up. Offices showed strong growth as demand conditions improved, particularly in Central London. Vacancy rates declined leading to acceleration in rental growth. Availability in the Industrial sector remained high as the recovery in the manufacturing sector appeared to ease by the end of 2006. Rental growth remained modest and is unlikely to strengthen in the short term due to modest occupier demand, high availability and continued high levels of development.

## Investment Performance

### Final Salary Section

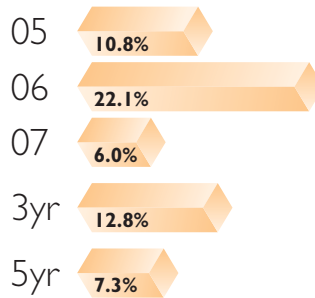
The performance of the Scheme's investments is measured against the scheme specific benchmark and other UK pension schemes of various sizes by an independent external measurement service, Mellon Analytical Solutions. Taking all portfolios together, the return achieved by the Scheme during the year to 31 March 2007 was 6%, matching the scheme specific benchmark.

Reviewing performance over the longer periods is more relevant to the Scheme's long-term objectives. Over three and five year periods, the annual returns were 12.8% and 7.3% compared to 12.3% and 5.1% respectively.

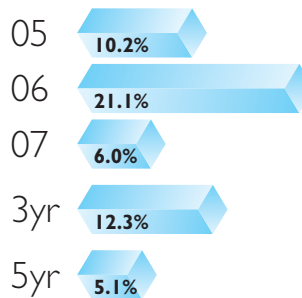
### Current Managers' Objectives and Achievements

As part of the Scheme's investment strategy, its assets

## Annual Returns



### Kingfisher Pension Scheme



### Benchmark

are allocated to a number of investment managers in specific asset classes. The investment managers are given performance objectives which, when combined, are intended to enable the Scheme to achieve its overall investment objectives (see page 19).

### UK Equities

**AXA Rosenberg's** UK Equity portfolio objective is to out-perform the FTSE All-Share Index by 2% per annum (net of base fees) over rolling three year periods. Over the rolling three year period AXA Rosenberg underperformed its objective. AXA Rosenberg's fees are market-value based with a performance related element. AXA Rosenberg did not receive a performance related fee.

### Global Equities

**Wellington Management's** objective is to out-perform the MSCI World Index return by 2% per annum (net of base fees) over rolling three year periods. Over the rolling three year period, Wellington underperformed its objective. Wellington Management's fees are market-value based with a performance based element.

**State Street Global Advisors'** objective is to deliver a return to within 0.5% of the rolling annual total return and within 0.25% per annum over rolling three-year periods of its 'benchmark'.

# Investment Report

The 'benchmark' is made up of UK and Overseas Equity securities and comprises the following indices: 43.4% FTSE-All Share Index; 24.4% FTSE-All World North America; 19.3% FTSE-All World Europe ex-UK; 5.6% FTSE-All World Japan and 7.3% FTSE-All World Pacific Basin (ex Japan). Over the year State Street Global Advisors achieved their objective. State Street is remunerated on the basis of a fixed fee.

## Bonds

**European Credit Management's** objective is to out-perform by 2% over three year rolling periods (net of fees) 1 month LIBOR, the first three year rolling period will be completed in 2009.

**Goldman Sachs'** fixed interest portfolio has the objective of out-performing its benchmark by 1.5% over rolling three year periods (net of base fees). 70.0% Merrill Lynch Sterling Non-Gilts Index and 30.0% FTSE-A All Stocks UK Gilts Index, the first three year rolling period will be completed in 2009.

**PIMCO's** fixed interest portfolio has the objective of out-performing its benchmark by 1.5% over rolling three year periods (net of base fees). The benchmark is made up of 70.0% Merrill Lynch Sterling Non-Gilts Index and 30.0% FTSE-A All Stocks UK Gilts Index; the first three year rolling period will be completed in 2009.

**Western Asset's** fixed interest portfolio has the objective of out-performing its 'benchmark' by 1% over rolling three year periods (net of base fees). The 'benchmark' is made up of UK and Overseas Fixed Interest securities and comprises the following indices: 70.0% Merrill Lynch Sterling Non-Gilts Index and 30.0% FTSE-A All Stocks UK Gilts Index. Over the rolling three year period, Western Asset underperformed its objective. Western Asset's fees are market value-based with a performance-related element.

**State Street Global Advisors'** objective is to deliver a return to within 0.5% of the rolling annual total return and within 0.25% per annum over rolling three-year periods of its 'benchmark'. The 'benchmark' is made up of UK and Overseas Fixed Interest securities and comprises the following indices: 57.0% FTSE Actuaries British Government Gilts (All-Stocks) Index and 43.0% Merrill Lynch Sterling Non-Gilts All Stocks. Over the year State Street Global Advisors met its objective. State Street is remunerated on the basis of a fixed fee.

## Property

**Morley Fund Management's** property portfolio has the objective of out-performing the CAPS Pooled Property Median by 0.5% (net of fees) per annum over rolling three year periods. Over the year Morley outperformed its objective. Morley is remunerated on a fixed fee basis.

## Trustee's Cash

The Trustee maintains a current account to meet the day-to-day benefits and expenditure payments. Any monies in the account that are not required for immediate use are placed on an overnight Money Market account.

## Investment Performance

### Money Purchase Section

All the assets attributed to the Money Purchase section, including members' AVCs but excluding cash required for transaction purposes, are presently invested in a range of funds managed by Standard Life. Members have the option to invest in one of three lifestyle approaches or select from a range of individual funds, listed below. Each of the lifestyle approaches represents investment in a range of funds, comprising the first five funds listed below. It is not possible to compare the performance of each lifestyle approach with a stated objective.

### Consensus Lifestyle

This approach attempts to balance the opportunity for maximizing returns whilst reducing the volatility as retirement approaches.

### Cautious Lifestyle

This approach takes a more cautious approach to investing whilst still delivering above average returns in the early years.

### Consensus plus Lifestyle

This approach strives for maximum possible returns whilst accepting greater volatility throughout its life.

### FTSE Tracker One Fund

The fund invests in a broad spread of UK listed equities which are constituents of the FTSE All-Share. The fund's objective is to closely track the performance of the FTSE All-Share Index. Over the year the fund met its objective.



**Overseas Tracker One Fund**

The fund is a fund of funds investing in the US Equity Tracker, European Equity Tracker, Japanese Equity Tracker, Pacific Basin Equity Tracker funds. The objective is to match the returns of the FTSE World (ex UK) Index. Over the year the fund did not meet its objective.

**Corporate Bond Fund**

The fund invests in the UK non-gilt fixed interest market. Its objective is to outperform the Merrill Lynch Non Gilt Sterling All Stocks Bond Index by 0.8% pa. gross of fees. Over the year the fund met its objective.

**UK Gilt Tracker Fund**

The fund invests in UK gilts. The objective of the gilt tracker fund is to match the return within 15 basis points of the FTSE All Stocks Gilt Total Return index over all periods before all costs. Over the year the fund met its objective.

**Index Linked One Fund**

The fund's objective is to outperform the FTSE-A Index Linked Gilt over 5 Year index by 0.6% pa gross of fees in each calendar year by investing in an actively managed portfolio of mainly index linked fixed interest securities. Over the year the fund did not meet its objective.

**Global Equity (50:50) One Fund**

The Global Equity 50:50 Fund is an equity fund split equally between the UK and overseas equity markets. The proportions held are decided after reviewing the prospects for each market and will vary from time to time around the long term strategic asset allocation of 50% in UK equities and 50% in overseas equities. The fund is benchmarked equally between the FTSE All Share Index and FTSE All World (ex UK) Index and aims to outperform the benchmark by 2% per annum. Over the year the fund met its objective.

**Global Equity (50:50) Tracker One Fund**

The fund invests in a broad range of equities which are constituents of the FTSE All-Share and FTSE World (ex UK) indices. The fund's benchmark is to closely track the performance of the FTSE All-Share and FTSE World (ex UK) indices. Over the year the fund met its objective.

**Global Equity Manager of Managers Fund**

The fund is a 50:50 fund with 50% in the UK benchmarked against the FTSE All Share index and the other 50% benchmarked against the FTSE World ex UK Index. This is done by holding the underlying regional funds of US, Europe, Japan and Pacific Basin. Over the year the fund did not meet its objective.

**UK Equity Manager of Managers Fund**

The objective of the fund is to provide capital appreciation, investing in an actively managed portfolio in a broad range of mainly UK Equities to give a spread over the market's most attractive sectors. The UK fund is benchmarked against the FTSE All Share Index. Over the year the fund did not meet its objective.

**Pension Protection One Fund**

The fund invests in long-dated government gilts. The fund's objective is to track broadly long term interest rates. Over the year the fund met its objective.

**Pension Sterling One Fund**

The fund's objective is to outperform the median over periods up to and including one year of the ABI Money market sector by investing in an actively managed portfolio of mainly short dated Sterling deposits. Over the year the fund met its objective.

**Invesco Perpetual High Income Fund**

The fund's objective is to achieve a high level of income, together with capital growth. The fund intends to invest primarily in companies listed in the UK, with the balance invested internationally. Over the year the fund met its objective.

**UBS Global Optimal Fund**

The fund's objective is to achieve long-term growth through active management of a diversified portfolio invested primarily in non-UK equities. Over the year the fund did not meet its objective.

# Independent Auditors' Report

To the Trustee of the  
Kingfisher Pension Scheme

We have audited the financial statements of the Kingfisher Pension Scheme for the year ended 31 March 2007 which comprise the fund account, the net assets statement and the related notes. These financial statements have been prepared under the accounting policies set out therein. This report is made solely to the scheme trustees, as a body in accordance with the Pensions Act 1995 and Regulations made there under.

Our audit work has been undertaken so that we might state to the scheme trustees those matters we are required to state to them in an auditors' 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 scheme trustees, as a body for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of trustees and auditors

As described in the Statement of trustee's responsibilities on page 32, the scheme trustee's is responsible for obtaining an annual report, including audited financial statements prepared in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements show a true and fair view and contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

We read the trustee's report and other information contained in the annual report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become

aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by or on behalf of the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the scheme's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion the financial statements:

- show a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the financial transactions of the scheme during the scheme year ended 31 March 2007 and of the amount and disposition at that date of its assets and liabilities (other than liabilities to pay pensions and benefits after the end of the scheme year); and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995.

KPMG LLP  
Chartered Accountants  
Registered Auditor  
One Canada Square  
London E14 5AG

21 June 2007

# Statement of Trustee's Responsibilities in respect of Contributions

The scheme trustee's is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised, a Schedule of Contributions showing the rates of contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme and

the dates on or before which such contributions are to be paid. The scheme's trustees are also responsible for keeping records of contributions received in respect of any active member of the scheme and for ensuring that contributions are made to the scheme in accordance with the schedule.

## Summary of Contributions payable during the year ended 31 March 2007

During the year ended 31 March 2007, the contributions payable to the Scheme under the Schedule of Contributions were as follows:

### Contributions payable under the schedules in respect of the scheme year

#### Employer:

|                          |         |
|--------------------------|---------|
| FS normal contributions  | 118,306 |
| MP normal contributions  | 1,228   |
| FS special contributions | 704     |
| MP special contributions | 75      |

#### Member:

|                         |        |
|-------------------------|--------|
| FS normal contributions | 10,650 |
| MP normal contributions | 1,280  |

### Contributions payable under the Schedules

**132,243**

### Reconciliation of contributions

Reconciliation of contributions payable under the Schedules to contributions reported in the accounts in respect of the Scheme year

|  |         |
|--|---------|
| Contributions payable under the Schedules (as above)               | 132,243 |
| Contributions payable in addition to those due under the Schedules |         |
| Member additional voluntary contributions                          | 746     |

### Total contributions reported in the accounts

**132,989**



A.J. Stanworth



H Jones

For and on behalf of Kingfisher Pension Trustee Limited  
21 June 2007

# Independent Auditor's Statement about Contributions

## **Independent Auditor's Statement about Contributions, under Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustee of the Kingfisher Pension Scheme.**

We have examined the Summary of Contributions payable under the schedule of contributions to the Kingfisher Pension Scheme in respect of the scheme year ended 31 March 2007 which is set out on page 27.

This statement is made solely to the scheme's trustee in accordance with the Pensions Act 2004 and Regulations made thereunder. Our work has been undertaken so that we might state to the scheme's trustee those matters we are required to state to them in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the scheme's trustee, for our work, for this statement, or the opinions we have formed.

### **Respective responsibilities of trustee and auditors**

As described on page 32, the scheme's trustee is responsible, under the Pensions Act 1995 for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions which sets out the rates and due dates of certain contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme. The trustee has a general responsibility for procuring that contributions are made to the Scheme in accordance with the schedule of contributions.

It is our responsibility to provide a statement about contributions paid to the scheme to report our opinion to you.

We read the trustee's report and other information in the annual report and consider whether it is consistent with the summary of contributions. We consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the summary of contributions.

### **Basis of statement about contribution**

We planned and performed our work so as to obtain all the information and explanations, which we considered necessary in order to give reasonable assurance that contributions reported in the summary of contributions have been paid in accordance with the relevant requirements. For this purpose the work that we carried out included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments. Our statement about contributions is required to refer to those exceptions which come to our attention in the course of our work.

### **Statement about contributions payable under the schedule**

In our opinion contributions for the scheme year ended 31 March 2007 as reported in the summary of contributions and payable under the schedule in all material respects been paid at least in accordance with the schedule of contributions certified by the actuary on 10 June 2005.

KPMG LLP  
Chartered Accountants  
One Canada Square  
London E14 5AG

21 June 2007

# Actuarial Statement

**Actuarial Statement made for the purposes of Regulation 30 of The Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996.**

## Kingfisher Pension Scheme

### Valuation as at 31 March 2004

#### 1. Security of Prospective Rights

In my opinion, the resources of the Scheme are likely in the normal course of events to meet in full the liabilities of the Scheme as they fall due. In giving this opinion, I have assumed that the following amounts will be paid to the Scheme.

|                |   |
|----------------|---|
| By Members     | contributions at the rates set out in the Scheme's documentation  |
| By the Company | 20% of salaries to 31 March 2005, then £40m a year subject to review at the next valuation, plus £130m in the year to 31 January 2006, £60m in the year to 31 January 2007 and £60m in the year to 31 January 2008. |

#### 2. Summary of Methods and Assumptions used

For the purposes of Section 1, I have assumed that the Scheme will continue. I have adopted the "Projected Unit" Funding method and valued assets at mid-market value.

| Main Financial Assumptions |                 | % pa relative to inflation of 3% pa |
|----------------------------|-----------------|-------------------------------------|
| Investment return:         | pre-retirement  | 4.00                                |
|                            | post-retirement | 2.60                                |
| Earnings escalation        |                 | 1.55                                |
| Inflation                  |                 | -                                   |
| Pension Increases          |                 | -0.25                               |

Further details of the methods and assumptions used are set out in my actuarial valuation report addressed to the Trustee dated 30 March 2005.

P.N.M. Sisson  
 Fellow of the Institute of Actuaries  
 Partner in the firm of Watson Wyatt LLP  
 Watson House  
 London Road  
 Reigate  
 Surrey  
 RH2 9PQ

30 March 2005

# Actuarial Certificate

## **Actuarial certificate given for the purposes of section 58 of the Pensions Act 1995**

### *(Certificate of Schedule of Contributions)*

**Name of scheme: Kingfisher Pension Scheme**

#### **Adequacy of rates of contributions**

- 1 I hereby certify that, in my opinion, the rates of the contributions payable in accordance with the schedule of contributions dated 10 June 2005 are adequate for the purpose of securing that throughout the period it covers the scheme will meet the minimum funding requirement imposed by section 56(1) of the Pensions Act 1995.
- 2 In forming this opinion I have complied with the requirements imposed by sections 56(3) and 58 of the Pensions Act 1995, the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 and the mandatory guidelines on minimum funding requirement (GN27), prepared and published by the Institute of Actuaries and the Faculty of Actuaries, and have made the assumptions prescribed by them.

**P N M Sisson**  
**Fellow of the Institute of Actuaries**  
**Partner**  
**Watson Wyatt LLP**

**Watson House**  
**London Road**  
**Reigate**  
**Surrey**  
**RH2 9PQ**

**10 June 2005**

# Change of Scheme Actuary

I hereby resign as Scheme Actuary to the Kingfisher Pension Scheme ("the Scheme") with effect from the appointment of Neil Mobbs.

In my opinion there are no circumstances connected with the resignation which significantly affect the interests of members or prospective members of, or beneficiaries under, the Scheme.

**P N M Sisson**  
Fellow of the Institute of Actuaries

I hereby accept my appointment as Scheme Actuary effective from the date given by the Trustees below.

I confirm that I will notify the Trustees immediately I become aware of any conflict of interest to which I may become subject in relation to the Scheme.

**N G Mobbs**  
Fellow of the Institute of Actuaries

On behalf of the Trustees of the Scheme, I hereby confirm the appointment of Neil Mobbs to act as Scheme Actuary to the Scheme with effect from the date indicated below and confirm the Trustees' agreement to this letter and the terms it incorporates.

**C Hatley**  
Authorised for and on behalf of the Trustees of the Scheme

5 April 2007

# Statement of Trustee's Responsibilities for the Accounts

The audited Accounts which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), are the responsibility of the Trustee Board. Pension scheme regulations require the Trustee Board to make available to Scheme members, beneficiaries and certain other parties the audited Accounts for each Scheme year which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year, and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the year; and
- contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the Accounts have been prepared in accordance with the Statement of Recommended Practice, 'Financial Reports of Pension Schemes'.

The Trustee Board has supervised the preparation of the Accounts and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. The Trustee Board is also responsible for making available each year, commonly in the form of a Trustee's Annual Report, information about the Scheme prescribed by pensions legislation, which it should ensure is consistent with the audited Accounts it accompanies.

The Trustee Board also has certain responsibilities in respect of contributions which are set out in the statement of the Trustee's responsibilities accompanying the Trustee's summary of contributions.

The Trustee Board has a general responsibility for ensuring that adequate accounting records are kept, and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities including the maintenance of appropriate internal controls.



# Financial Statements

## Fund Account for the year ended 31 March 2007

|   | Notes | Final Salary<br>£'000 | Money Purchase<br>£'000 | Total<br>2007<br>£'000 | Total<br>2006<br>£'000 |
|---|-------|-----------------------|-------------------------|------------------------|------------------------|
| <b>Contributions and benefits</b>                 |       |                       |                         |                        |                        |
| Contributions                                     | 2     | 130,263               | 2,726                   | 132,989                | 185,527                |
| Transfers in                                      | 3     | 235                   | 60                      | 295                    | 702                    |
|   |       | <b>130,498</b>        | <b>2,786</b>            | <b>133,284</b>         | <b>186,529</b>         |
| Benefits  | 4     | (46,923)              | (72)                    | (46,995)               | (42,407)               |
| Leavers   | 5     | (1,541)               | (106)                   | (1,647)                | (2,150)                |
| Administrative expenses                           | 6     | (3,018)               | 0                       | (3,018)                | (3,339)                |
|   |       | <b>(51,482)</b>       | <b>(178)</b>            | <b>(51,660)</b>        | <b>(47,896)</b>        |
| <b>Net additions from dealings with members</b>   |       | <b>79,016</b>         | <b>2,608</b>            | <b>81,624</b>          | <b>138,633</b>         |
| <b>Returns on investments</b>                     |       |                       |                         |                        |                        |
| Investment income                                 | 7     | 27,301                | 12                      | 27,313                 | 23,180                 |
| Change in market value of investments             | 8     | 49,468                | 282                     | 49,750                 | 184,956                |
| Investment management expenses                    | 9     | (2,034)               | 0                       | (2,034)                | (2,003)                |
| <b>Net returns on investments</b>                 |       | <b>74,735</b>         | <b>294</b>              | <b>75,029</b>          | <b>206,133</b>         |
| <b>Net increase in the Scheme during the year</b> |       | <b>153,751</b>        | <b>2,902</b>            | <b>156,653</b>         | <b>344,766</b>         |
| <b>Net assets of the Scheme</b>                   |       |                       |                         |                        |                        |
| At 1 April 2006                                   |       | 1,254,745             | 4,021                   | 1,258,766              | 914,000                |
| <b>At 31 March 2007</b>                           |       | <b>1,408,496</b>      | <b>6,923</b>            | <b>1,415,419</b>       | <b>1,258,766</b>       |

Represented by:

## Net Assets Statement at 31 March 2007

### Investments

|  |    |                  |              |                  |                  |
|--|----|------------------|--------------|------------------|------------------|
| At market value                                  | 8  | 1,403,927        | 6,453        | 1,410,380        | 1,253,116        |
| Current assets                                   | 10 | 6,531            | 471          | 7,002            | 8,372            |
| Current liabilities                              | 11 | (1,962)          | (1)          | (1,963)          | (2,722)          |
| <b>Net assets of the Scheme at 31 March 2007</b> |    | <b>1,408,496</b> | <b>6,923</b> | <b>1,415,419</b> | <b>1,258,766</b> |



A.J. Stanworth



H Jones

For and on behalf of Kingfisher Pension Trustee Limited  
21 June 2007

# Notes to the Financial Statements

## I. Accounting policies

These Financial Statements have been prepared in accordance with the provisions of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and with the guidelines set out in the Statement of Recommended Practice (SORP), Financial Reports of Pension Schemes (revised November 2002).

These Financial Statements summarise the transactions of the Scheme and deals with the net assets at the disposal of the Trustee Board. It does not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take into account such liabilities, is dealt with in the Actuarial Statement on page 29.

The principal accounting policies, all of which were adopted last year and this year, unless otherwise indicated, are as follows:

- a) Employee contributions are accounted for from the date of deduction from payroll and employer contributions are accounted for in the period to which the corresponding pay relates. Employer special contributions are accounted for in accordance with the agreement under which they are being paid.
- b) Benefits are accounted for on the date of leaving, or if a member has a choice of benefits, on notification of choice to the Scheme.
- c) Individual transfer values to or from other schemes are accounted for on a cash basis.
- d) Securities have been included at mid-market values at 31 March 2007. Pooled Investment Vehicles have been valued at the mid-point quoted by the investment manager on the date nearest 31 March 2007. Futures contracts are valued at market prices at the year end on the associated economic exposure basis. The associated economic exposure of a futures contract is the value of an amount of securities which, if held as an alternative to the futures contract, would provide a similar return in the market to that obtained on the futures contract. Other derivative contracts are included at market value.
- e) Foreign income is translated into sterling at the rate ruling on the date the income is received. Investment and current assets and liabilities denominated in foreign currencies are translated using the sterling rate of exchange ruling at the year end.
- f) Exchange gains and losses arising on translation of investments are included as part of the change in market value of investments.
- g) Dividends, fixed interest income, deposit interest and other investment income receivable have been accounted for on an accruals basis. Irrecoverable withholding taxes are reported as a separate tax charge.
- h) Administration and investment management expenses are accounted for on an accruals basis.

## 2. Contributions Receivable

### Final Salary Section 2007

|                            | Members<br>Ordinary | Members<br>Additional<br>Voluntary | Company<br>Ordinary | Company<br>Additional | Total<br>Contributions |
|----------------------------|---------------------|------------------------------------|---------------------|-----------------------|------------------------|
|                            | £'000               | £'000                              | £'000               | £'000                 | £'000                  |
| B&Q                        | 9,909               | 560                                | 110,589             | 24                    | 121,082                |
| Others                     | 741                 | 43                                 | 7,717               | 680                   | 9,181                  |
| <b>Total Contributions</b> | <b>10,650</b>       | <b>603</b>                         | <b>118,306</b>      | <b>704</b>            | <b>130,263</b>         |

### Money Purchase Section 2007

|                            | Members<br>Ordinary | Members<br>Additional<br>Voluntary | Company<br>Ordinary | Company<br>Additional | Total<br>Contributions |
|----------------------------|---------------------|------------------------------------|---------------------|-----------------------|------------------------|
|                            | £'000               | £'000                              | £'000               | £'000                 | £'000                  |
| B&Q                        | 1,043               | 139                                | 995                 | 75                    | 2,252                  |
| Others                     | 237                 | 4                                  | 233                 | 0                     | 474                    |
| <b>Total Contributions</b> | <b>1,280</b>        | <b>143</b>                         | <b>1,228</b>        | <b>75</b>             | <b>2,726</b>           |

### Total 2007

|                            | Members<br>Ordinary | Members<br>Additional<br>Voluntary | Company<br>Ordinary | Company<br>Additional | Total<br>Contributions |
|----------------------------|---------------------|------------------------------------|---------------------|-----------------------|------------------------|
|                            | £'000               | £'000                              | £'000               | £'000                 | £'000                  |
| B&Q                        | 10,952              | 699                                | 111,584             | 99                    | 123,334                |
| Others                     | 978                 | 47                                 | 7,950               | 680                   | 9,655                  |
| <b>Total Contributions</b> | <b>11,930</b>       | <b>746</b>                         | <b>119,534</b>      | <b>779</b>            | <b>132,989</b>         |

### Total 2006

|                            | Members<br>Ordinary | Members<br>Additional<br>Voluntary | Company<br>Ordinary | Company<br>Additional | Total<br>Contributions |
|----------------------------|---------------------|------------------------------------|---------------------|-----------------------|------------------------|
|                            | £'000               | £'000                              | £'000               | £'000                 | £'000                  |
| B&Q                        | 12,540              | 675                                | 162,951             | 441                   | 176,607                |
| Others                     | 910                 | 30                                 | 8,096               | 184                   | 9,220                  |
| <b>Total Contributions</b> | <b>13,450</b>       | <b>705</b>                         | <b>171,047</b>      | <b>625</b>            | <b>185,827</b>         |

Company Additional contributions were paid on occasions where the employer considered it to be appropriate to enhance a member's benefits available from the Scheme. On each occasion, the employer paid an additional amount to the Scheme to cover the cost of providing these benefits. In the case of the Final Salary section, the amount paid was calculated in accordance with instructions provided by the Scheme Actuary.

# Notes to the Financial Statements

## 3. Transfers In

|  | Final<br>Salary<br>£'000 | Money<br>Purchase<br>£'000 | Total<br>2007<br>£'000 | Total<br>2006<br>£'000 |
|--|--------------------------|----------------------------|------------------------|------------------------|
| Individual transfers-in from other Schemes | 235                      | 60                         | 295                    | 702                    |
| <b>Total</b>                               | <b>235</b>               | <b>60</b>                  | <b>295</b>             | <b>702</b>             |

## 4. Benefits

|   | Final<br>Salary<br>£'000 | Money<br>Purchase<br>£'000 | Total<br>2007<br>£'000 | Total<br>2006<br>£'000 |
|---|--------------------------|----------------------------|------------------------|------------------------|
| Pensions                                      | 35,345                   | 0                          | 35,345                 | 34,632                 |
| Commutations and lump sum retirement benefits | 10,242                   | 38                         | 10,280                 | 6,157                  |
| Lump sum death benefits                       | 1,560                    | 4                          | 1,564                  | 1,840                  |
| Purchase of annuities                         | (224)                    | 0                          | (224)                  | (258)                  |
| MP life premiums paid to FS                   | 0                        | 30                         | 30                     | 27                     |
| <b>Total</b>                                  | <b>46,923</b>            | <b>72</b>                  | <b>46,995</b>          | <b>42,407</b>          |

## 5. Payments to and on account of leavers

|   | Final<br>Salary<br>£'000 | Money<br>Purchase<br>£'000 | Total<br>2007<br>£'000 | Total<br>2006<br>£'000 |
|---|--------------------------|----------------------------|------------------------|------------------------|
| Individual transfers to other Schemes     | 1,483                    | 23                         | 1,506                  | 849                    |
| Refunds to members leaving service        | 63                       | 83                         | 146                    | 851                    |
| Payments for members joining state scheme | (5)                      | 0                          | (5)                    | 450                    |
| <b>Total</b>                              | <b>1,541</b>             | <b>106</b>                 | <b>1,647</b>           | <b>2,150</b>           |

## 6. Administrative Expenses

The Scheme bears all its administration expenses. The expenses are borne by the Final Salary Section and consist of the costs incurred on behalf of the Trustee Board by the Group Pensions Department.

|                                 | Final<br>Salary<br>£'000 | Money<br>Purchase<br>£'000 | 2006<br>£'000 | 2006<br>£'000 |
|---------------------------------|--------------------------|----------------------------|---------------|---------------|
| Staff costs                     | 1,162                    | 0                          | 1,162         | 1,070         |
| Rent, rates and service charges | 333                      | 0                          | 333           | 316           |
| Professional fees               | 626                      | 0                          | 626           | 812           |
| Communications and printing     | 207                      | 0                          | 207           | 169           |
| General                         | 622                      | 0                          | 622           | 735           |
| Computing                       | 127                      | 0                          | 127           | 138           |
| Valuation                       | (59)                     | 0                          | (59)          | 99            |
| <b>Total</b>                    | <b>3,018</b>             | <b>0</b>                   | <b>3,018</b>  | <b>3,339</b>  |

## 7. Investment Income

|  | Final Salary<br>£'000 | Money Purchase<br>£'000 | 2007<br>£'000 | 2006<br>£'000 |
|--|-----------------------|-------------------------|---------------|---------------|
| Income from fixed interest securities  | 9,239                 | 0                       | 9,239         | 8,315         |
| Dividends from equities                | 9,708                 | 0                       | 9,708         | 8,094         |
| Income from index-linked securities    | 4,643                 | 0                       | 4,643         | 2,410         |
| Income from pooled investment vehicles | 3,072                 | 0                       | 3,072         | 4,050         |
| Interest on cash and cash instruments  | 802                   | 12                      | 814           | 436           |
| Other                                  | 83                    | 0                       | 83            | 0             |
| <b>Sub total</b>                       | <b>27,547</b>         | <b>12</b>               | <b>27,559</b> | <b>23,305</b> |
| Irrecoverable taxation                 | (246)                 | 0                       | (246)         | (125)         |
| <b>Total</b>                           | <b>27,301</b>         | <b>12</b>               | <b>27,313</b> | <b>23,180</b> |

Investment income arising on the SSGA pooled investment vehicles is reinvested and reflected in the unit price.

## 8. Investments

### Final Salary Section

8.1 The investments of the Scheme are held in either the name of the Trustee or the nominee company of State Street Bank and Trust Company which acts as custodian.

8.2 Summary by Sector Market Value showing the movement in value of the funds during the year.

|   | Value at<br>31 March<br>2006<br>£'000 | Purchases<br>£'000 | Sales<br>£'000     | Movement<br>in Value<br>£'000 | Value at<br>31 March<br>2007<br>£'000 |
|---|---------------------------------------|--------------------|--------------------|-------------------------------|---------------------------------------|
| Fixed interest securities   | 101,143                               | 3,231,606          | (3,006,716)        | (12,664)                      | 313,369                               |
| Equities  | 319,123                               | 228,813            | (218,806)          | 10,327                        | 339,457                               |
| Index linked securities   | 209,909                               | 30,073             | (24,947)           | 1,341                         | 216,376                               |
| Pooled investment vehicles  | 563,301                               | 88,982             | (133,145)          | 45,649                        | 564,787                               |
| AVCs  | 17,216                                | 660                | (1,514)            | 889                           | 17,251                                |
|   | <b>1,210,692</b>                      | <b>3,580,134</b>   | <b>(3,385,128)</b> | <b>45,542</b>                 | <b>1,451,240</b>                      |
| Cash & cash instruments   | 33,345                                |                    |                    | 3,931                         | (55,582)                              |
| Outstanding dividend entitlements,<br>withholding taxes and interest receivable | 5,563                                 |                    |                    | (5)                           | 8,269                                 |
|   | <b>1,249,600</b>                      |                    |                    | <b>49,648</b>                 | <b>1,403,927</b>                      |

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including realised profits and losses on sales of investments during the year.

Pooled investment vehicles are operated by companies that are registered in the UK.

Included in the fixed interest securities purchases and sales are future purchases on the economic exposure basis of £1.114 billion and future sales of £1.079 billion.

## Notes to the Financial Statements

8.2 continued

|  | 2007<br>£'000 | 2006<br>£'000 |
|--|---------------|---------------|
| <b>Fixed interest securities</b>         |               |               |
| UK public sector quoted                  | 75,328        | 37,922        |
| UK quoted                                | 151,433       | 63,402        |
| Overseas public quoted                   | 11,015        | 14,271        |
| Overseas quoted                          | 60,958        | 4,004         |
| UK options                               | 126           | 64            |
| Overseas options                         | 318           | 114           |
| UK Swaps                                 | (1,694)       | 0             |
| Overseas Swaps                           | (613)         | 0             |
| UK Futures contracts                     | 80,365        | 0             |
| Overseas Futures contracts               | (63,867)      | (18,634)      |
|  | 313,369       | 101,143       |
| <b>Equities</b>                          |               |               |
| UK quoted                                | 202,804       | 183,446       |
| Overseas quoted                          | 136,653       | 135,677       |
|  | 339,457       | 319,123       |
| <b>Index linked securities</b>           |               |               |
| UK public sector                         | 216,376       | 209,909       |
|  | 216,376       | 209,909       |
| <b>Pooled investment vehicles</b>        |               |               |
| Unit trusts                              |               |               |
| - property                               | 125,552       | 79,587        |
| - other                                  |               |               |
| UK equity                                | 165,808       | 153,867       |
| Overseas equity                          | 216,114       | 201,070       |
| UK fixed interest                        | 1,023         | 101,388       |
| Overseas fixed interest                  | 56,290        | 5,063         |
| Managed funds                            |               |               |
| - property                               | 0             | 22,326        |
|  | 564,787       | 563,301       |
| <b>Cash and cash equivalents</b>         |               |               |
| Cash deposits                            | 6,638         | 7,968         |
| Short term liquidity funds               | 6,546         | 13,367        |
| Cash backing open fixed interest futures | (16,499)      | 18,634        |
| Amounts due from brokers                 | 23,490        | 2,223         |
| Amounts due to brokers                   | (75,757)      | (8,847)       |
|  | (55,582)      | 33,345        |

Pooled investment vehicles with a market value of £508,497,000 were operated by companies registered in the UK. Pooled investment vehicles with a market value of £56,290,000 were operated by non UK registered companies.

### 8.3 AVC Investments

The Trustee holds assets invested separately from the main fund in the form of individual insurance policies, with profits (Prudential and London Life) and unit linked (Legal & General and Blackrock (formerly Merrill Lynch)), securing additional benefits on a money purchase basis for those members electing to pay Additional Voluntary Contributions. Each member participating in this arrangement receives an annual statement confirming the amounts held in their account. The aggregate amount of AVC investments, are shown above.

|                                  | 2007<br>£'000 | 2006<br>£'000 |
|----------------------------------|---------------|---------------|
| Prudential                       | 14,607        | 14,769        |
| London Life – surrender value    | 529           | 557           |
| Legal & General unit linked AVCs | 1,139         | 1,025         |
| Blackrock unit linked AVCs       | 976           | 865           |
| <b>Total</b>                     | <b>17,251</b> | <b>17,216</b> |

### 8.4 Market Value of the Scheme's largest investments (greater than 5% of total net assets)

|   | £'000   | %     |
|---|---------|-------|
| SSgA (Natwest Life) MPF UK Equity Enhanced        | 165,752 | 11.81 |
| SSgA (Natwest Life) MPF North American Equities   | 92,997  | 6.62  |
| SSgA (Natwest Life) MPF European (ex UK) Equities | 73,988  | 5.27  |
| UK Treasury Stock FRN Index Linked 22JUL30        | 72,294  | 5.15  |

### 8.5 Stock lending

The Scheme lends certain fixed interest, index linked and equity securities under a Trustee stock lending programme. At the year end the Scheme had lent £107.1 million of fixed interest, index linked and equity securities and held collateral in the form of fixed interest, index linked and equity securities.

# Notes to the Financial Statements

## Money Purchase Section

8.1 The investments of the Scheme are held in the name of the Trustee. The investment manager for the money purchase section is Standard Life.

8.2 Summary of Pooled Investment Vehicles showing the movement in value of the funds during the year.

|                            | Value at<br>1 April<br>2006<br>£'000 | Purchases<br>£'000 | Sales<br>£'000 | Movement<br>in Value<br>£'000 | Value at<br>31 March<br>2007<br>£'000 |
|----------------------------|--------------------------------------|--------------------|----------------|-------------------------------|---------------------------------------|
| Pooled investment vehicles | 3,516                                | 2,874              | (219)          | 282                           | 6,453                                 |
| <b>Total</b>               | <b>3,516</b>                         | <b>2,874</b>       | <b>(219)</b>   | <b>282</b>                    | <b>6,453</b>                          |

|  | 2007<br>£'000 | 2006<br>£'000 |
|--|---------------|---------------|
| Pension Corporate Bond One Fund                | 406           | 193           |
| Pension FTSE Tracker One Fund                  | 1,565         | 828           |
| Pension Global Equity 50:50 One Fund           | 111           | 65            |
| Pension Global Equity 50:50 Tracker One Fund   | 53            | 25            |
| Pension Index Linked One Fund                  | 389           | 184           |
| Pension Overseas Tracker One Fund              | 2,179         | 1,209         |
| Pension Protection One Fund                    | 21            | 14            |
| Pension Sterling One Fund                      | 1,267         | 808           |
| UK Gilt Tracker Fund                           | 375           | 175           |
| UBS Global Optimal Fund                        | 3             | 1             |
| Invesco Perpetual High Income Fund             | 31            | 7             |
| Pension UK Equity Manager of Managers One Fund | 29            | 4             |
| Global Equity Manager of Managers One Fund     | 24            | 3             |
| <b>Total</b>                                   | <b>6,453</b>  | <b>3,516</b>  |

All of the investment assets above have been designated to members of the Money Purchase section.

Pooled investment vehicles are operated by companies that are registered in the UK.

Money Purchase assets are allocated to provide benefits to the individuals on whose behalf the contributions were paid and assets identified as designated to members in the Net Asset Statement do not form a common pool of assets available for members generally.

Members receive an annual statement confirming the contributions paid on their behalf and the value of money purchase rights.



## 9. Investment Management Expenses

|  | Final Salary<br>£'000 | Money Purchase<br>£'000 | Total 2007<br>£'000 | Total 2006<br>£'000 |
|--|-----------------------|-------------------------|---------------------|---------------------|
| Investment managers fees                   | 1,682                 | 0                       | 1,682               | 1,668               |
| Custody services                           | 150                   | 0                       | 150                 | 151                 |
| Performance Measurement and Risk Reporting | 81                    | 0                       | 81                  | 51                  |
| Other services                             | 5                     | 0                       | 5                   | 5                   |
| MP investment manager administration fee   | 116                   | 0                       | 116                 | 128                 |
| <b>Total</b>                               | <b>2,034</b>          | <b>0</b>                | <b>2,034</b>        | <b>2,003</b>        |

Investment manager expenses for the Money Purchase section are reflected in the unit price.

## 10. Current assets

|                                     | Final Salary<br>£'000 | Money Purchase<br>£'000 | Total 2007<br>£'000 | Total 2006<br>£'000 |
|-------------------------------------|-----------------------|-------------------------|---------------------|---------------------|
| Bank balances                       | 5,967                 | 14                      | 5,981               | 7,292               |
| Contributions                       | 325                   | 45                      | 370                 | 134                 |
| Tax recoverable                     | 59                    | 0                       | 59                  | 90                  |
| Inter-company expenses due from KRT | 40                    | 0                       | 40                  | 432                 |
| Others                              | 140                   | 0                       | 140                 | 73                  |
| <b>Not designated to Members</b>    |                       |                         |                     |                     |
| Bank balances                       | 0                     | 412                     | 412                 | 351                 |
| <b>Total</b>                        | <b>6,531</b>          | <b>471</b>              | <b>7,002</b>        | <b>8,372</b>        |

## 11. Current liabilities

|                                     | Final Salary<br>£'000 | Money Purchase<br>£'000 | Total 2007<br>£'000 | Total 2006<br>£'000 |
|-------------------------------------|-----------------------|-------------------------|---------------------|---------------------|
| Investment manager fees             | 689                   | 0                       | 689                 | 322                 |
| Tax payable                         | 5                     | 0                       | 5                   | 751                 |
| Expenses                            | 388                   | 0                       | 388                 | 468                 |
| DWP                                 | 0                     | 0                       | 0                   | 96                  |
| Sundry unclaimed benefits           | 683                   | 0                       | 683                 | 815                 |
| Inter-company due to Kingfisher plc | 151                   | 0                       | 151                 | 190                 |
| Others                              | 46                    | 1                       | 47                  | 80                  |
| <b>Total</b>                        | <b>1,962</b>          | <b>1</b>                | <b>1,963</b>        | <b>2,722</b>        |

# Notes to the Financial Statements

## 12. Employer-related investment

The Scheme does not invest in, or make loans to, Kingfisher plc or any of its subsidiary or associated undertakings and does not own any properties occupied by any of the companies in the Kingfisher Group.

## 13. Concentration of investment

Securities, pooled investment vehicles and equity holdings, which are either significant or exceed 5% of the total value of the Scheme are disclosed on page 39.

There is no direct equity holding by the Scheme that constitutes 3% or more of the relevant company's issued share capital.

## 14. Related party transactions

The Scheme has received employee contributions in respect of seven of the directors of the Trustee Board who are also contributing members of the Scheme. These were paid in accordance with the Schedule of Contributions and the Rules of the Scheme.

Kingfisher plc pays some administration expenses on behalf of the Scheme, £881,000 for this year (2006: £958,000), and subsequently recharges these to the Scheme. The balance owing to Kingfisher plc at year end is £151,000.

B&Q plc pays the pensioner payroll expenses on behalf of the Scheme, £37,308,000 for this year (2006: £34,708,000), and subsequently recharges these to the Scheme. B&Q plc also re-imburses pensions no longer payable and at year end the balance owing to the Scheme is £27,000.

Pension payments to T Stanworth and V Struthers are included within gross pensions. The amounts of pensions are calculated in accordance with the Rules of the Scheme.

The Scheme pays some expenses on behalf of the Kingfisher Retirement Trust, £104,000 for this year (2006: £337,000), and subsequently recharges these to the Trust. The balance due from the Kingfisher Retirement Trust at year end is £40,000.

Transfer values of £18,000 (2006: £128,000) were received into the Scheme from the Kingfisher Retirement Trust.

Trustee Director fees for T Stanworth, V Struthers and J C Woodward are included in professional fees on page 36.

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