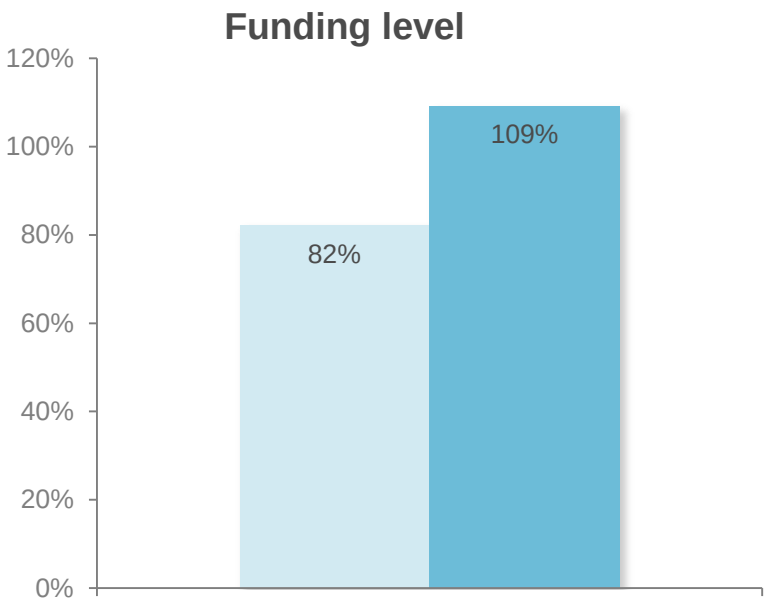
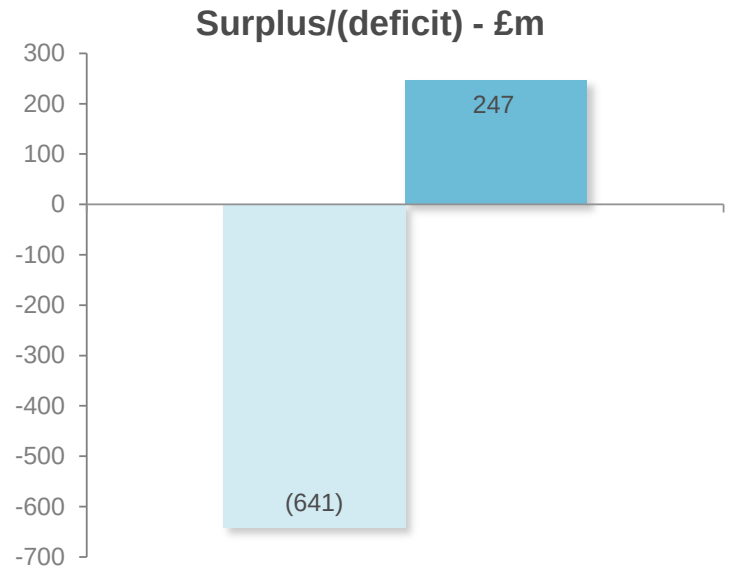
Actuarial report as at 31 March 2015
Kingfisher Pension Scheme





HYMANS ROBERTSON

Summary

This funding update is provided to the Kingfisher Pension Trustee Limited ("the Trustee") to illustrate the estimated development of the funding position from 31 March 2013 to 31 March 2015 for the Kingfisher Pension Scheme ("the Scheme").

The funding level of the secondary funding objective at the latest formal valuation was 76%, the technical provisions funding level was 99%. As at 31 March 2015, the funding level of the secondary funding objective has increased to 82%, the technical provisions funding level is now 109%.

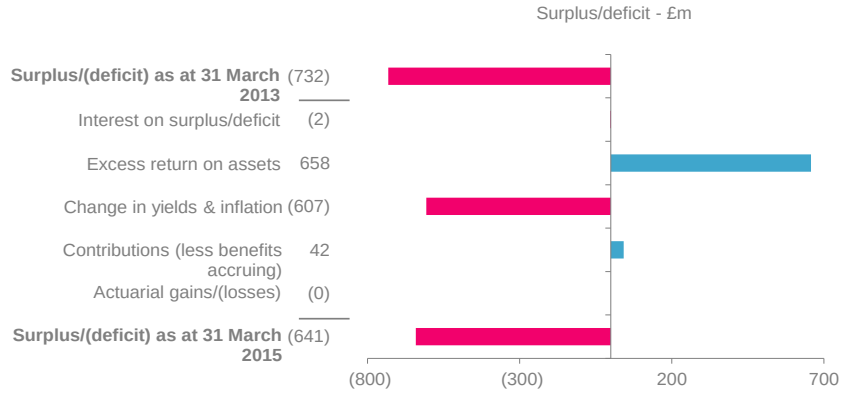
The increase in the funding level is largely due to:

- asset returns in excess of gilts; and
- contributions paid by Kingfisher plc (the Company) over the period.

Please see the chart on the right for further details.

Crawford Taylor FIA
Scheme Actuary

What's happened since the last update – Secondary funding objective basis



Note: asset values exclude AVCs and money purchase funds. Contributions exclude SPV income as the value of the SPV is included in the asset value.

Differences between this actuarial report and a full actuarial valuation

The accuracy of this type of actuarial report calculation is expected to decline over time as the period since the last valuation increases. This is because this actuarial report does not allow for changes in individual members' data since the last valuation.

Details of the approach used in this actuarial report are given in the appendix.

The figures in tables throughout this document may not add up due to rounding.

Estimated financial position at 31 March 2015

Secondary funding objective

£m	31 Mar 2013	31 Mar 2014	31 Mar 2015
Assets	2,366	2,344	2,945
Liabilities	3,098	2,945	3,587
Surplus/(deficit)	**(732)**	**(601)**	**(641)**
Funding level	76%	80%	82%

Technical provisions

£m	31 Mar 2013	31 Mar 2014	31 Mar 2015
Assets	2,366	2,344	2,945
Liabilities	2,387	2,265	2,699
Surplus/(deficit)	**(21)**	**79**	**247**
Funding level	99%	103%	109%

Please note that the technical provisions financial assumptions used at the last valuation were derived using Towers Watson's internal investment model. We have used what we believe is a reasonable, market-consistent basis to project forward the technical provisions liabilities.

This has resulted in a slight difference between the 31 March 2014 figures shown above compared to those set out in Neil Mobbs' actuarial report as at 31 March 2014.

Market indicators

	31 Mar 2013	31 Mar 2014	31 Mar 2015
Market yields (p.a.)			
Fixed interest gilts	3.04%	3.46%	2.24%
Index linked gilts	-0.27%	-0.04%	-0.90%
Implied inflation	3.33%	3.50%	3.18%
AA corporate bonds	4.07%	4.30%	3.10%
Price indices			
FTSE All Share	3,381	3,556	3,664
FTSE 100	6,412	6,598	6,773

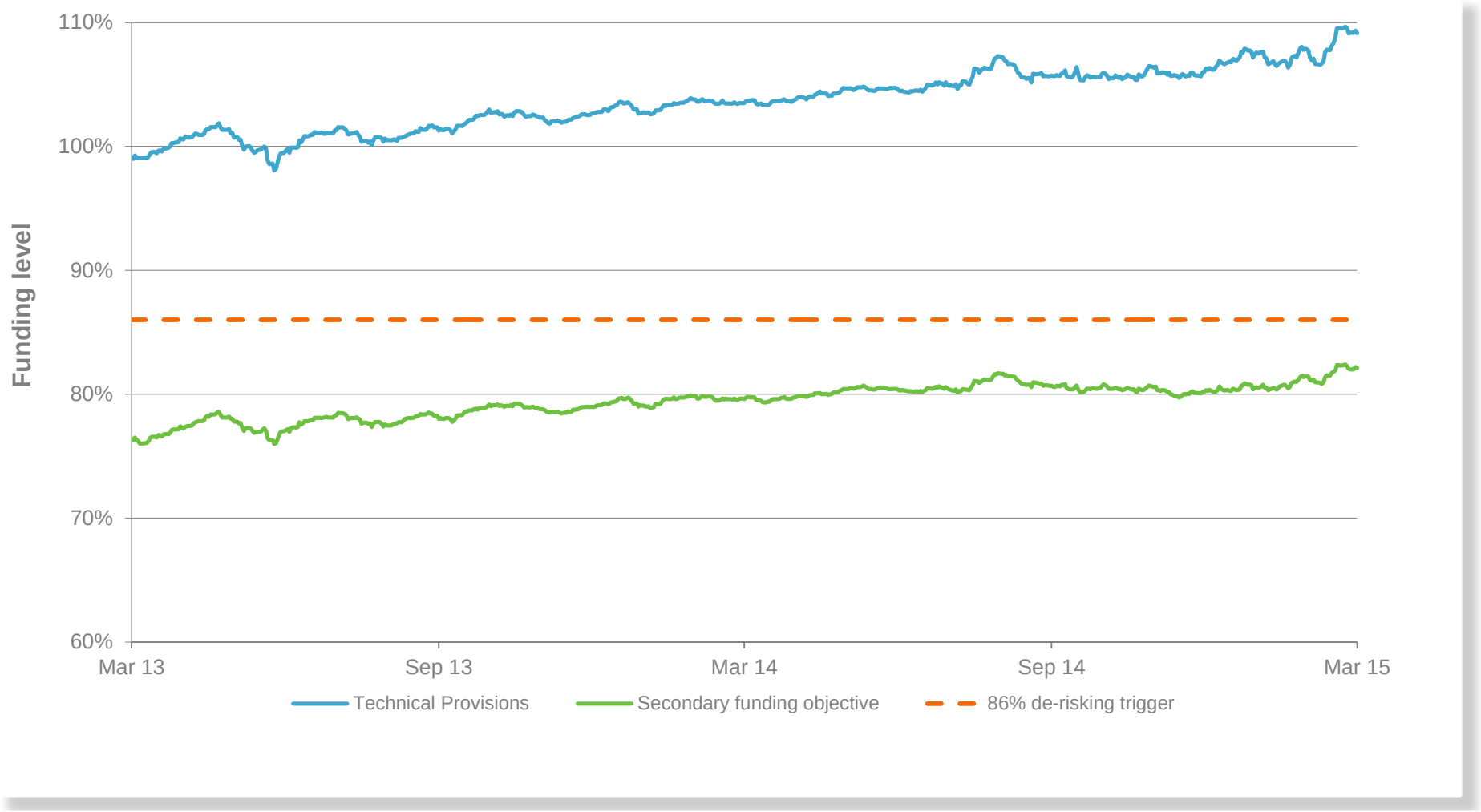
Notes: Please refer to appendix for full details of these indices.

Basis summary

Basis name	Secondary funding objective	Technical Provisions
Basis type	Gilts curve	Gilts curve
Adjustments to the curves/yields (p.a.)		
Pre retirement discount rate	No adjustment	+1.00%
Post retirement discount rate	No adjustment	+1.00%
Salary increase	N/A	N/A
Inflation (RPI)	No adjustment	-0.10%

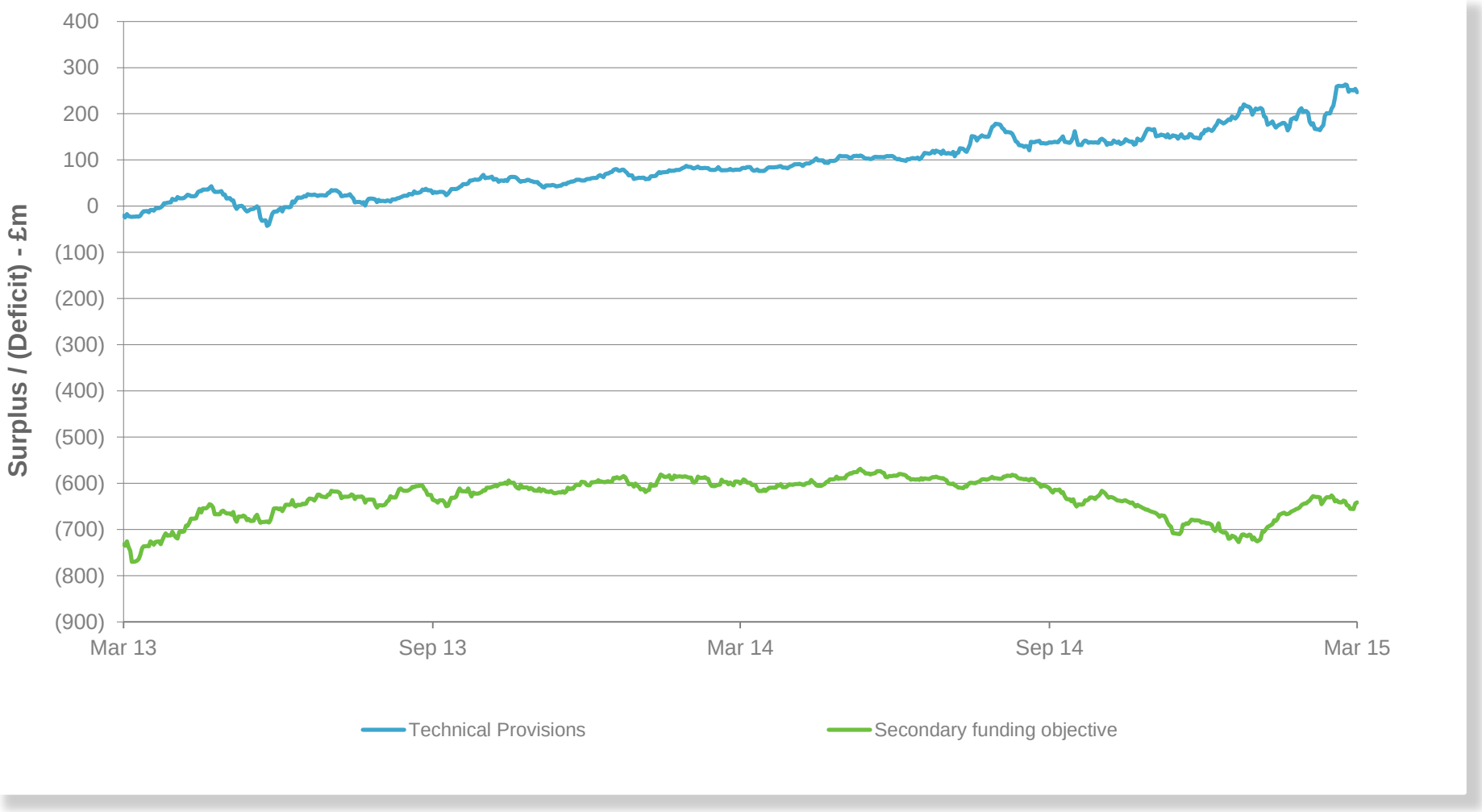
The assumptions underlying the secondary funding objective are set out in the Trustee's statement of funding principles dated 24 March 2014.

Change in funding level since last valuation



Note: For the secondary funding objective basis a change of 1% in the funding level is equivalent to a £36m change in the surplus or deficit.

Change in funding position since last valuation



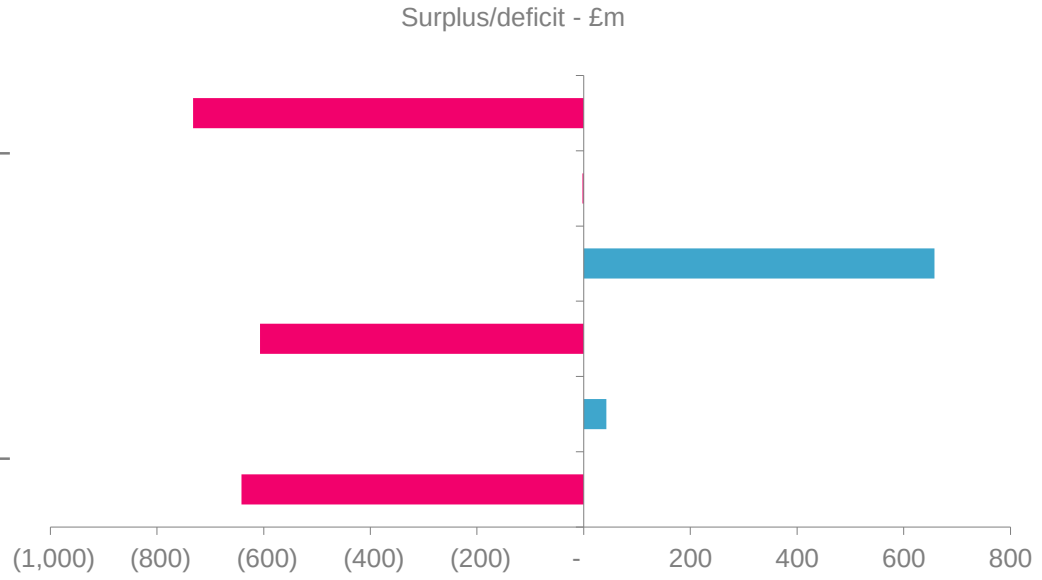
What's happened since last valuation? – Secondary funding objective basis

Assets		£m
Asset value as at 31 March 2013	**2,366**	
Contributions paid in:		42
Benefit payments:		(128)
Expected return on liability-matching assets:		8
Excess return on assets:		658
Asset value as at 31 March 2015	**2,945**	

Liabilities		£m
Liability value as at 31 March 2013	**3,098**	
Cost of benefits accruing:		0
Interest on liabilities:		10
Change in yields & inflation:		607
Benefit payments:		(128)
Liability value as at 31 March 2015	**3,587**	

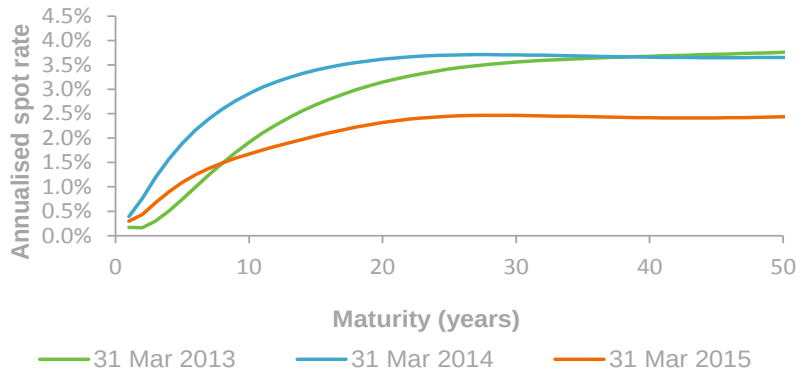
Overall effect

Surplus/(deficit) as at 31 March 2013	(732)
Interest on surplus/deficit	(2)
Excess return on assets	658
Change in yields & inflation	(607)
Contributions (less benefits accruing)	42
Surplus/(deficit) as at 31 March 2015	(641)

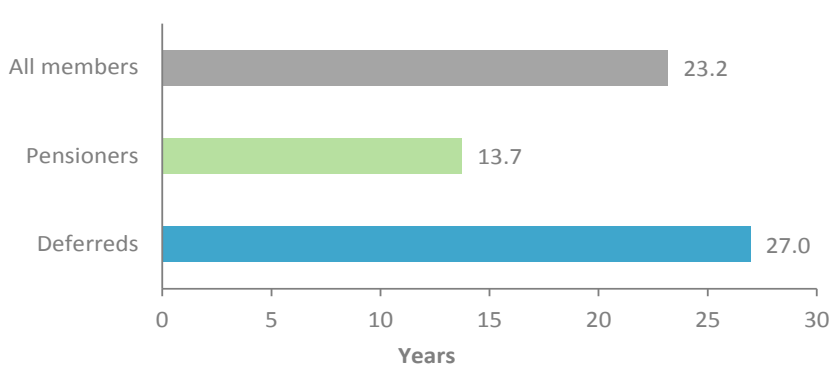


What in the market has caused your liabilities to change? – Secondary funding objective basis

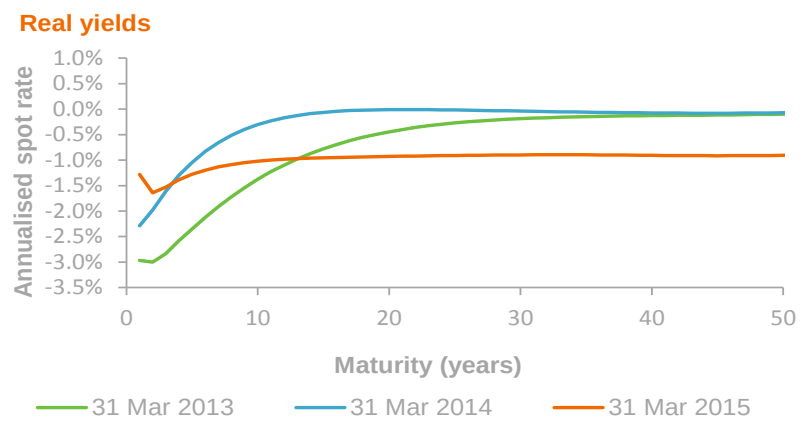
Nominal yields



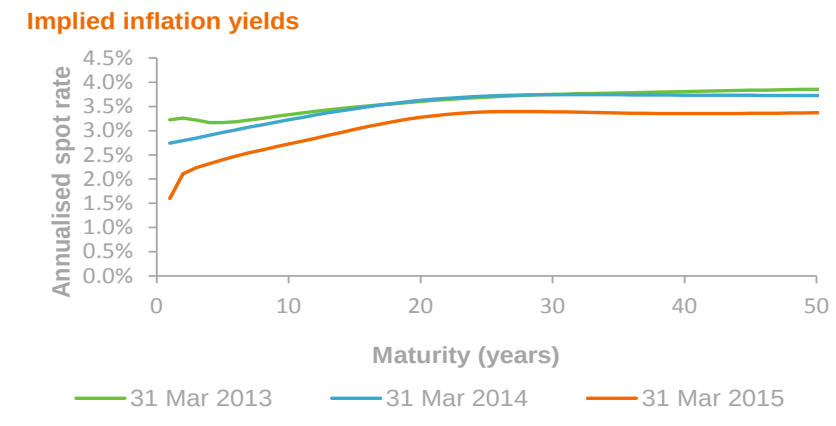
Average duration of liabilities



Real yields

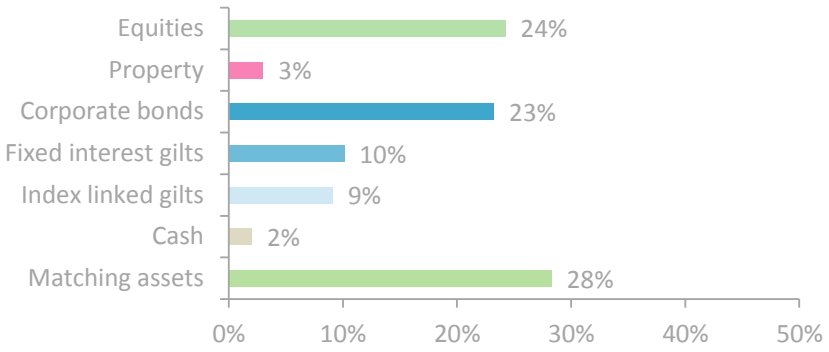


Implied inflation yields

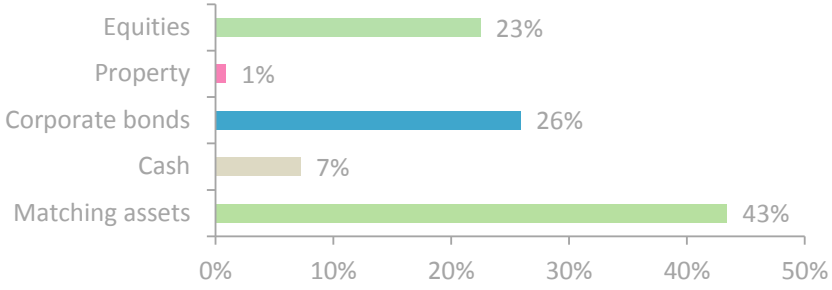


What caused your assets to change?

Allocation at valuation date

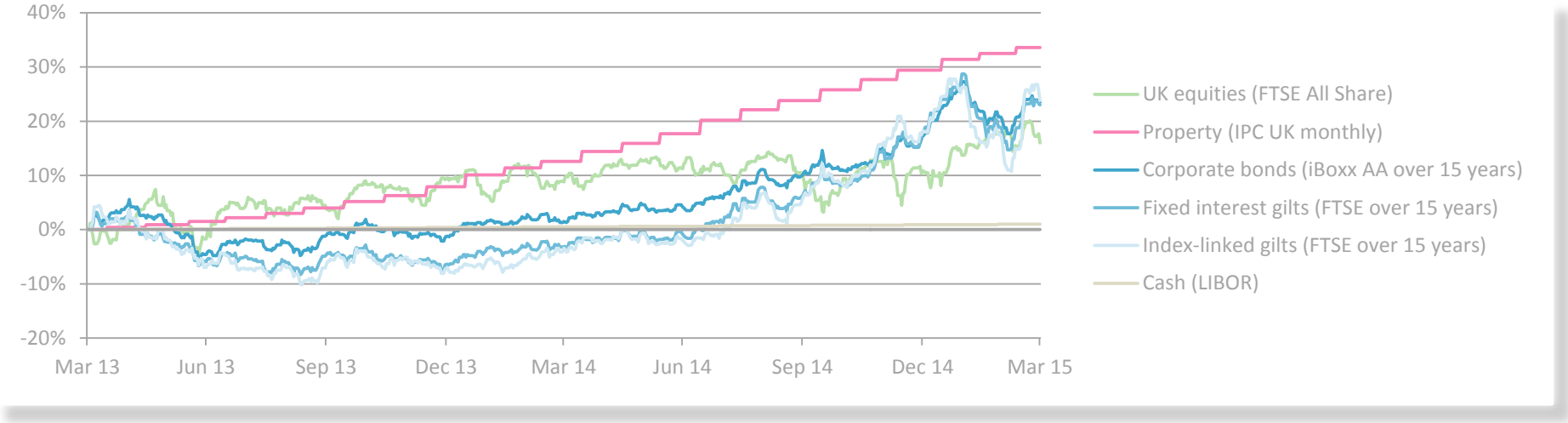


Allocation at 31 March 2015



'Matching assets' is the LDI portfolio only. Following discussions with Matt Fuller, the SPV has been included as 'cash' to reflect its relatively fixed nature.

Sterling total returns of major asset classes



Appendix: Scope, methodology, reliances, limitations and market data

Scope

This Actuarial report is addressed to the Trustee of the Kingfisher Pension Scheme ("the Trustee") to fulfil their statutory obligations and the requirement of the scheme's governing documents. The trustee must make this report available to Kingfisher plc ("the company"). Hymans Robertson LLP consent to this. It should not be used for any other purpose. It should not be released or otherwise disclosed to any third party except with Hymans Robertson LLP's prior written consent, in which case it is to be released in its entirety. Neither I nor Hymans Robertson LLP accept any liability to any third party unless we have expressly accepted such liability in writing.

This is an Actuarial report compliant with Section 224 of the Pensions Act 2004 and regulation 7 of the Occupational Pension Scheme (Scheme Funding) Regulations 2005.

Compliance with professional standards

The method and assumptions used to calculate the updated funding position are consistent with those used in the latest formal actuarial valuation, although the financial assumptions have been updated to reflect known changes in market conditions. As such, the advice in this report is consistent with that provided for the last valuation, as set out in Neil Mobbs' (of Towers Watson) actuarial valuation report dated 1 April 2014.

This update therefore complies with the following Technical Actuarial Standards (TASs):

- Reporting ("TAS R")
- Data ("TAS D")
- Modelling ("TAS M")
- Pensions TAS

How liabilities are calculated

- The future benefits that are payable from the Scheme ("cash-flows") were calculated on a specific set of assumptions at the last valuation date.
- These cash-flows (on the Secondary funding objective basis) are shown below.
- These cash-flows were adjusted using available financial and Scheme information to produce estimated cash-flows at post valuation dates.
- The specific information used for this update is set out on the next page.
- Market information is used to produce discount rates at these dates.
- The estimated cash-flows are discounted to produce the estimated liability value at a specific date.

How assets are calculated

Assets are projected from the valuation date allowing for actual or estimated Scheme cash-flows and daily benchmark indices. Where available, asset values are recalibrated using known asset data.

The update allows for:

1 The asset values and asset allocation as at the date of this report have been provided by Matt Fuller.
2 Movements in liabilities as a result of changes in yields and hence inflation and discount rate assumptions.
3 Estimated cash-flows (contributions and benefit payments).
4 Actual cash-flows to and from the Scheme supplied by Matt Fuller where available.
5 Demographic experience in line with assumptions.

The update does not allow for:

1 The asset values as at the date of this report have not been based on audited Scheme accounts.
2 Variation between actual and expected demographic experience (e.g. early retirement or mortality).
3 Benefit changes (I have not received details of any material benefit changes, bulk transfers or other financially significant events occurring over the period since the last actuarial valuation).

Membership data

My calculations are based on the membership data provided for the most recent actuarial valuation. A data summary can be found in the last formal actuarial valuation report prepared by Neil Mobbs of Towers Watson.

Limitations of this model

In the short term, the typical main contributors to funding position volatility are movements in the value of assets held, liability changes due to yield movements, benefit changes and deficit contributions to the Scheme.

The accuracy of this type of actuarial report calculation is expected to decline over time. Differences between the position shown in this report and the position which a valuation would show can be significant; particularly if there have been volatile financial markets or material membership changes (these are more likely to occur in smaller schemes). It is not possible to fully assess the accuracy of this update without carrying out a full actuarial valuation.

If yield curves are not available at an actuarial report date this model uses approximate yield curves based on the movements in long-term gilt yields since the date of the last available yield curve. Liability calculations are performed on the valuation date, the actuarial report date, anniversaries of the valuation date and each month-end in between. Interpolation is used for other dates shown in graphs. Some asset classes are not easily tracked by the benchmark indices used in this model which can lead to significant differences between actual and projected asset values.

Indices used to update projected asset values

Some of the following indices have been used to update projected asset values in this actuarial report.

- FTSE 100
- FTSE 250
- FTSE Small Cap
- FTSE All Share
- FTSE All World Series North America (£)
- FTSE All World Series Japan (£)
- FTSE All World Series Developed Europe (£)
- FTSE All World Series Developed Asia Pacific (£)
- FTSE All World Series All World Developed Ex UK (£)
- FTSE All World Series All World Ex UK (£)
- FTSE All World Series All Emerging (£)
- UK Government Fixed Interest Gilts (Over 15 Years)
- UK Government Index-Linked Gilts (Over 5 Years)
- UK Government Index-Linked Gilts (Over 15 Years)
- iBoxx A rated UK Corporate Bonds (Over 15 Years)
- iBoxx AA rated UK Corporate Bonds (Over 15 Years)
- iBoxx AAA rated UK Corporate Bonds (Over 15 Years)
- iBoxx All Investment Grades rated UK Corporate Bonds (Over 15 Years)
- IPD Property
- Cash Indices LIBOR 1 Month

The indices are a standard list and are not necessarily the same indices that managers have been asked to track or beat. All indices used to estimate projected asset values are total return indices. However, the market indicators quoted in this report are price indices, as these are more widely recognised.

Market information used to update liability values

Some of the following market information has been used to update liabilities values in this actuarial report.

- Nominal gilt yield curves derived from Bank of England data
- RPI gilt inflation curve derived from Bank of England data
- Nominal swap curves derived from Bloomberg data
- Real swap curves derived from Bloomberg data
- Inflation volatilities derived from the swap market
- FTSE Actuaries UK Fixed Interest Gilts Yields (Over 15 Years)
- FTSE Actuaries Index-Linked Gilts (3% Inflation) Yields (Over 15 Years)
- iBoxx AA rated UK Corporate Bond Yields (Over 15 Years)
- Gilt yield curves are based on data published by the Bank of England and are derived using the prices of fixed interest and index-linked gilts

Note: Market yields displayed in the market indicators table are on an annual basis.