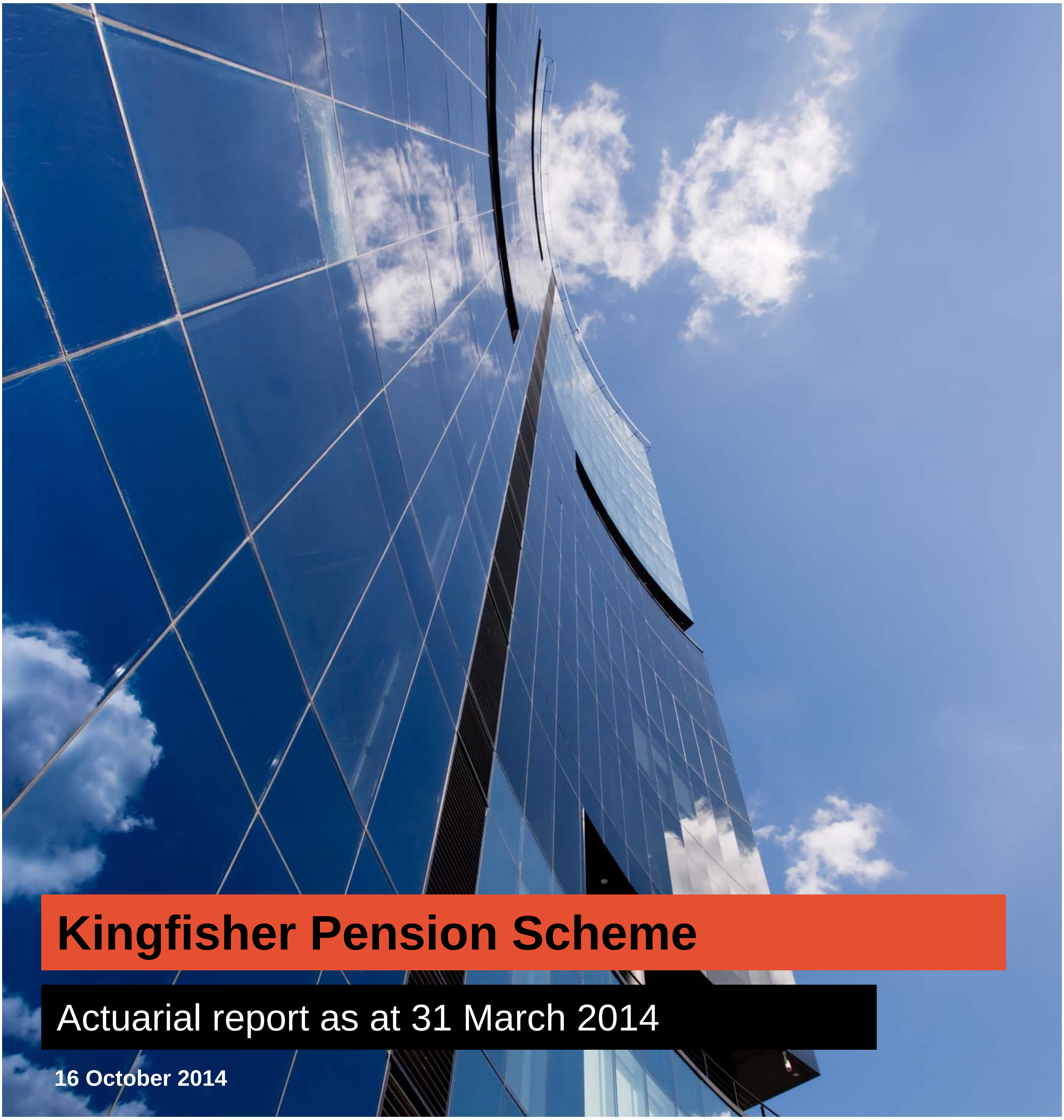


Kingfisher Pension Scheme

Actuarial report as at 31 March 2014

16 October 2014

TOWERS WATSON

Summary

The main results of this actuarial report and those from the latest actuarial valuation are as follows:

- Gilts basis funding level as at 31 March 2014 is estimated to have increased to 80.0% over the year

- Technical provisions funding level as at 31 March 2014 is estimated to have increased to 99.2% over the year

- Deficit of assets relative to technical provisions as at 31 March 2014 is estimated to have reduced to £19 million over the year

Contents

Throughout this report the following terms are used:

Scheme
Kingfisher Pension Scheme

Trustee
The Trustee of the Kingfisher Pension Scheme

Company
Kingfisher plc

Trust Deed & Rules
The Scheme's Trust Deed and Rules dated 15 December 1986, as amended by subsequent Deeds of Variation

Introduction

Scope

This is the actuarial report in respect of the Kingfisher Pension Scheme as at 31 March 2014 and I have prepared it for the Trustee. As noted in the Limitations section of this report, others may not rely on it.

The actuarial report is required under Part 3 of the Pensions Act 2004 in years when a full actuarial valuation is not conducted; a copy of this report must be provided to the Company within seven days of its receipt.

The main purpose of the actuarial report is to provide an approximate update of the development in the funding position since the latest actuarial valuation. It should be considered in conjunction with the report on the actuarial valuation as at 31 March 2013.

This report and the work involved in preparing it are within the scope of and comply with the Financial Reporting Council's Technical Actuarial Standards regarding pensions, reporting actuarial information, data and modelling.

Next steps

The Trustee is required to disclose to members, in a summary funding statement, certain outcomes of this actuarial valuation within a reasonable period. Members may also request a copy of this report.

The financial position of the Scheme and the level of Company contributions to be paid will be reviewed at the next actuarial valuation, which is expected to be carried out as at 31 March 2016.

In intervening years the Trustee will obtain annual actuarial reports, such as this one, on developments affecting the Scheme's assets and liabilities. The next such report, which will have an effective date of 31 March 2015, must be completed by 31 March 2016.

Neil Mobbs

Neil Mobbs
Fellow of the Institute and Faculty of Actuaries
16 October 2014

Towers Watson Limited
Watson House
London Road
Reigate
Surrey
RH2 9PQ

SAB\\\wwp\data\General Data\Penc\KINGFISH\cor 2014\Annual report 2014 (final).docx

Limitations

Third parties

This report has been prepared for the Trustee for the purpose indicated. It has not been prepared for any other purpose. As such, it should not be used or relied upon by any other person for any other purpose, including, without limitation, by individual members of the Scheme for individual investment or other financial decisions, and those persons should take their own professional advice on such investment or financial decisions. Neither I nor Towers Watson Limited accepts any responsibility for any consequences arising from a third party relying on this report.

Except with the prior written consent of Towers Watson Limited, the recipient may not reproduce, distribute or communicate (in whole or in part) this report to any other person other than to meet any statutory requirements.

Data supplied

The Trustee bears the primary responsibility for the accuracy of the information provided, but will, in turn, have relied on others for the maintenance of accurate data, including the Company who must provide and update certain membership information. Even so it is the Trustee's responsibility to ensure the adequacy of these arrangements. I have taken reasonable steps to satisfy myself that the data provided is of adequate quality for the purposes of the investigation, including carrying out basic tests to detect obvious inconsistencies. These checks have given me no reason to doubt the correctness of the information supplied. It is not possible, however, for me to confirm that the detailed information provided, including that in respect of individual members and the asset details, is correct.

This report has been based on data available to me as at the effective date of the actuarial report and takes no account of developments after that date except where explicitly stated otherwise.

Methodology

In carrying out the estimates of the updated financial position of the Scheme, I have not carried out full liability valuation calculations. Instead, I have estimated how the position may have moved over the year to 31 March 2014 using approximate methods.

The approach taken to calculate the estimates will not be as robust as the calculations performed as part of a full actuarial valuation, but should be sufficient, in normal circumstances, to obtain a reasonably good approximate indication of how the funding position might have moved since the last assessment.

Funding

Statutory funding objective

The Trustee's statutory funding objective under the Pensions Act 2004, which is to have sufficient and appropriate assets to cover the Scheme's technical provisions.

The method and assumptions for calculating the technical provisions as at 31 March 2013 were agreed between the Trustee and Company and documented in the Statement of Funding Principles dated 24 March 2014. The table below summarises the main financial assumptions used to estimate the Scheme's technical provisions for this actuarial report and the latest actuarial valuation.

Financial assumptions	**31 March 2014 % pa**	31 March 2013 % pa
Pre-retirement discount rate	**5.25**	5.05
Post-retirement discount rate (pensioners)	**3.81**	3.29
Post-retirement discount rate (non-pensioners)	**4.02**	4.33
Inflation (RPI)	**3.5**	3.5
Deferred pension revaluation	**3.4**	3.4
Pension increases:		
- Pension in excess of GMP	**3.4**	3.4
- Post-1988 GMP	**2.4**	2.5

I regard the financial assumptions adopted for this actuarial report as consistent with those used for determining the Scheme's technical provisions at 31 March 2013, adjusted for changes in market conditions, and in my view they are appropriate for the purpose of this actuarial report.

The demographic assumptions used for the purposes of this update are consistent with those adopted for the actuarial valuation as at 31 March 2013, as set out in the Scheme's Statement of Funding Principles dated 24 March 2014. However, if the Trustee and Company were to consider all the assumptions in detail as part of a formal valuation process, with more recent information on Scheme experience, it is likely that some of these assumptions would change.

There is no allowance in the assumptions underlying the technical provisions for any future discretionary increases to benefits.

The table below compares the estimated technical provisions as at the effective date of the actuarial report with the market value of the Scheme's assets and the corresponding figures from the latest actuarial valuation:

Valuation statement	**31 March 2014 £m**	31 March 2013 £m
Amount required to provide for the Scheme's liabilities in respect of:		
Defined benefits	**2,363**	2,387
Expenses	**0**	0
AVCs and other money purchase benefits	**122**	75
Technical provisions	**2,485**	2,462
Market value of assets	**2,466**	2,441
Past service deficit (technical provisions less assets)	**19**	21
Funding level (assets ÷ technical provisions)	**99.2%**	99.1%

Developments since the latest valuation

The funding level has improved slightly to 99.2% from 99.1% at the previous valuation, corresponding to a fall in the deficit from £21m to £19m. The position has improved slightly due mainly to Company contributions being paid under the Secondary Funding Objective.

Secondary funding objective (2FO)

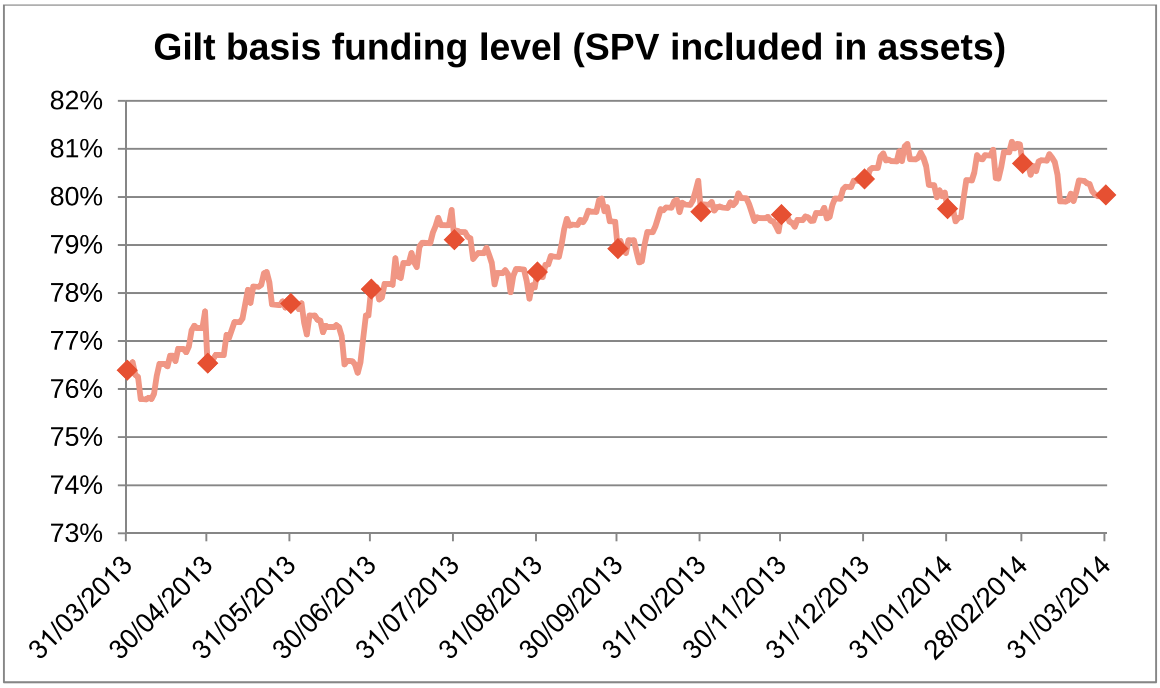
In addition to the statutory funding objective, the Trustee and Company have agreed a Secondary Funding Objective which is to aim to reach a point by 2030 where it can provide accrued benefits with a high level of security, thereby limiting its reliance on the Company for further financial support. The method and assumptions for calculating the Secondary Funding Objective are set out in the Statement of Funding Principles dated 24 March 2014.

The table below compares the estimated 2FO liability (excluding expenses and life insurance premiums) as at the effective date of the actuarial report with the market value of the Scheme's assets (excluding AVCs and money purchase benefits) and the corresponding figures from the latest actuarial valuation:

Valuation statement	31 March 2014 £m	31 March 2013 £m
2FO liability*	**2,929**	3,098
Market value of assets (excluding AVCs and money purchase benefits)	**2,344**	2,366
Past service deficit (2FO liability less assets)	**585**	732
Funding level (assets ÷ 2FO liability)	**80.0%**	76.4%

* Value of benefits accrued (excluding expenses and life insurance premiums.)

The chart below shows how the gilts basis funding level (used for the Secondary Funding Objective) improved from 76.4% to 80.0%. The main reason for the improvement in the position since the 31 March 2013 valuation is an increase in short-medium term gilt yields over the period.



Recent developments

During March 2014 the Trustee and Company agreed to make two £50m switches from equities to bonds. This was due to the improvement in the gilts basis funding level primarily during the latter part of 2013. The method and assumptions for calculating technical provisions at the 2016 valuation will have regard to the asset allocation at that time.

Additional information

Data provided

Cashflow information

The roll forward has been prepared by reference to cashflow information from the final report and accounts including benefit payments over the year to 31 March 2014 of £64m.

Asset information

The market value of the assets based on the Scheme's accounts as at 31 March 2014 was £2,466m. This includes KPS-MP section and AVC assets which have an aggregate value of £122m.

The asset information includes the value of the Trustee's interest in the Special Purpose Vehicle (SPV), as calculated for the purposes of inclusion within the Scheme accounts. We understand that this has been calculated by reference to the discounted value of the projected income from the SPV allowing for the possibility of a default event, at which point the Trustee would gain the vacant possession value of the underlying properties. We are satisfied that the value shown in the accounts is reasonable for the purposes of this actuarial report, on the basis that in most future default scenarios the value to the Trustee of the income received and subsequent vacant possession value will be higher than the current valuation of the interest. It is only defaults occurring in the immediate future where the current valuation is expected to be higher, but the likelihood of these scenarios is very small, given the most recent assessment of the employer covenant.

Glossary

This glossary describes briefly the terminology of the regime for funding defined benefit pension schemes as introduced by the Pensions Act 2004.

Actuarial report: A report prepared by the Scheme Actuary in years when an actuarial valuation is not carried out that provides an update on developments affecting the Scheme's assets and technical provisions over the year.

Actuarial valuation: A report prepared by the Scheme Actuary that includes the results of the calculation of the technical provisions based on the assumptions specified in the Statement of Funding Principles and assesses whether the assets are sufficient to meet the statutory funding target.

Covenant: This represents an employer's legal obligation and its ability to provide the financial support to a scheme that may be required now and in the future. The trustees' assessment of the sponsor's covenant will inform both investment and funding decisions.

Demographic assumptions: Assumptions relating to social statistics for Scheme members, which can affect the form, level or timing of benefits members or their dependants receive. This can include levels of mortality experienced by the Scheme and the proportion of members electing to exercise benefit options.

Discount rates: Assumptions used to place a capital value at the valuation date on projected future benefit cash flows from the Scheme. The lower the discount rate the higher the resulting capital value.

Financial assumptions: Assumptions relating to future economic factors which will affect the funding position of the Scheme, such as inflation and investment returns.

Funding target/objective: An objective to have a particular level of assets relative to the accrued liabilities of the Scheme. See also statutory funding objective.

Gilts based funding level: The ratio of Scheme assets (at market value as shown in the accounts) to the value of accrued liabilities (excluding provision for future running costs) calculated using a discount rate derived from yields available on UK Government bonds of appropriate nature and duration.

Prudence: Regulations require that assumptions are chosen prudently when assessing the level of technical provisions, although they do not define this term. I have interpreted prudence to be the level of conservatism in the assumptions. Where this is interpreted quantitatively, assumptions said to be prudent would result in higher technical provisions than a "best estimate" assumption (where a "best estimate" assumption is one where there is a 50% chance that the actual outcome will be higher or lower than assumed).

The Pensions Regulator: The regulatory supervisor for occupational pension schemes with statutory objectives to protect members' benefits and the Pension Protection Fund, and statutory powers to take interventionist action.

Scheme Actuary: The individual actuary appointed (under the Pensions Act 1995) by the Trustee to perform certain statutory duties for the Scheme.

Scheme-Specific Funding Regime: A term used to refer to the legislative and regulatory rules that stem from the Pension Act 2004 and which govern the funding of occupational defined benefit pension schemes in the UK.

Secondary Funding Objective (2FO): Is for the Scheme to be in a position by 2030 to provide the accrued benefits with a high level of security, thereby limiting its reliance on the Company for further financial support.

Special Purpose Vehicle (SPV): Is a Scottish Limited Partnership set up by Kingfisher plc in which the Scheme has purchased an interest as a B Limited Partner. The SPV has entered into Sale & Leaseback agreements for four Group properties, such that the Scheme receives the SPV's rental income from those properties, less an allowance for expenses, as its B Limited Partner interest. On the insolvency of Kingfisher plc, the Trustee will gain control of the properties, subject to a maximum value of the solvency deficit.

Statement of Funding Principles (SFP): The SFP sets out the trustees' policy for ensuring that the statutory funding objective and any other funding objectives are met and, in particular, the assumptions for calculating the technical provisions at the effective date of the actuarial valuation. The trustees are responsible for preparing and maintaining this document, taking into account the advice of the Scheme Actuary and in many cases seeking the agreement of the employer.

Statutory funding objective: To have sufficient and appropriate assets to cover the Scheme's technical provisions.

Summary funding statement: An update sent to members following the completion of each actuarial valuation or actuarial report informing them of the assessed financial position of the Scheme.

Technical provisions: The amount of assets required to make provision for the accrued liabilities of the scheme. The technical provisions are calculated using the method and assumptions set out in the Statement of Funding Principles.

TOWERS WATSON