



KINGFISHER PENSION SCHEME

**Report and Financial Statements
Year ended 31 March 2016**

Registered number: 100797763

Kingfisher Pension Scheme annual report and financial statements

Registered number 100797763
Year ended 31 March 2016

Kingfisher Pension Scheme

Year ended 31 March 2016

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Kingfisher Pension Scheme

Year ended 31 March 2016

Trustee and advisers

Participating Companies

Kingfisher plc
B&Q plc
B&Q (Retail Guernsey) Ltd
B&Q (Retail) Jersey Ltd
Screwfix Direct Ltd
Castorama Rus LLC
Kingfisher Information Technology Service (UK) Ltd
Kingfisher Future Homes Ltd (ceased xxxxx)

Trustee

Kingfisher Pension Trustee Limited

Board of Directors

BESTrustees plc (Chairman) represented by
Clive Gilchrist*
Sally Clifton#
Mark Fawcett*
Evelyn Gardiner (resigned 30 April 2015) #
Paul Goulder+
Helen Jones#
Kerrin Qualters +
Karl Lidgley+
Paul Shearer#
David Lumsdon (appointed 1 August 2015) +

**independent #employer nominated +member nominated*

Secretary to the Trustee

Dermot Courtier

Actuary

Crawford Taylor, Hymans Robertson LLP

Auditors

Grant Thornton UK LLP

Administrator

- Final Salary Section:
Kingfisher plc- Group Pensions Department,
3 Sheldon Square, Paddington, London W2
6PX

- Money Purchase Section:
Zurich Assurance Limited

System Provider

Profund Solutions Limited

Solicitors

Mayer Brown International LLP
HBJ Gateley (Scotland) LLP
Eversheds LLP (appointed 23 July 2015)

Group Life

Zurich Assurance Limited

Investment Managers

Final Salary Section:

Aberdeen Asset Managers Limited
Aviva Investors
GAM Fund Management Limited
Hayfin Direct Lending GP Ltd
Insight Investment Management (Global) Ltd
LGT Capital Partners (Ireland) Limited
PIMCO Europe Limited
Rogge Global Partners plc
State Street Global Advisors UK Limited
Wellington Management International Limited

Money Purchase Section:

Aberdeen Life
F&C (BMO Global Asset Management)
L&G
HSBC
Invesco Perpetual
Schroder's
State Street Global Advisors Ltd

Annuity provider

Legal & General Assurance Society Limited

Custodian

State Street Bank & Trust Company

Investment Advisers

Aon Hewitt
Towers Watson Limited

AVC providers

BlackRock Investment Management (UK) Ltd
Legal & General Assurance (Pensions Mgt) Ltd
Phoenix Life
The Prudential Assurance Company Limited

Bankers

Barclays Bank plc

Enquiries

Any enquiries concerning the Scheme or requests for copies of this Report, individual benefit statements, the Trust Deed and Rules or the latest report on the Actuarial Valuation of the Scheme should be addressed to the Head of Group Pensions at the office of Kingfisher plc

Kingfisher Pension Scheme

Year ended 31 March 2016

Introduction by the Chair of Trustee

I am pleased to present my review of the Kingfisher Pension Scheme (the Scheme) for the year ended 31 March 2016.

The twelve months up to March 2016 saw a wide range of changes to the Kingfisher Pension Scheme from both a Final Salary (FS) and Money Purchase (MP) perspective as we moved into the post April 2015 'freedom & choice' pension world.

As the final salary section of the Scheme continues to de-risk it provides many challenges and new opportunities. Over the last couple of years we have conducted a root and branch review of both the return seeking assets and matching liability driven assets (LDI).

As a continuing move towards de-risking the Scheme, the Trustees, with advice from their investment consultants, entered into a medically underwritten bulk buy-in, with Legal & General on 11 December 2015, providing greater security of benefits for all of the Scheme's final salary members. The funding level of the secondary funding objective at the latest formal valuation (31 March 2013) was 76%, and the technical provisions funding level was 99%. As at 31 March 2015, the funding level of the secondary funding objective has increased to 82%, and the technical provisions funding level is now 109%.

We have also increased our hedged position to 86% of our inflation risk and 83% of our interest rate risk as at 31 March 2016.

The investment performance of the Scheme during the year to 31 March 2016 saw a positive return of 1.5%.

On the defined contribution money purchase side of the scheme we amended, effective from April 2015, the default strategy, recognising that with the new post budget 'freedom & choice' pension freedoms many of our members, at least in the short and medium term, will take all their retirement fund as cash rather than purchasing an annuity. We also recognised that our members are reliant on the State Pension for the majority of their pension benefits and therefore we aligned the target retirement age with the new State Pension age for our members i.e. ages 66, 67 or 68 depending on the members age.

Another busy year for the pension scheme has, I am delighted to be able to advise, been recognised externally with the Scheme having again won several UK awards recognising the work carried out by the Trustee and the Group pensions Department on behalf of the members.

The Scheme has been awarded the 'Pension Quality Mark Plus' (the award first being granted in 2012) and has received external recognition from:

Pensions Age Awards – DC Pension Scheme of the year 2015 and 2014

DC Pension Awards 2015 –

- (i) Best Communications Strategy,
- (ii) Trust Based Scheme of the year,
- (iii) Special Award for DC Excellence

Engaged Investor Awards 2015 –

- (i) Best Approach to DC,
- (ii) Best communication Strategy,
- (iii) Best Investment Strategy

Pension Scheme of the Year Awards 2015 –

- (i) DC Scheme of the Year,
- (ii) Best Financial Education initiative

Kingfisher Pension Scheme

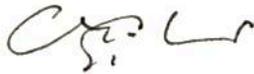
Year ended 31 March 2016

Financial News 2015 Pension Awards –

- (i) Best DC Plan Design
- (ii) Best Member Communications

On a personal basis, I would like to thank Evelyn Gardiner who resigned as an employer nominated trustee director. I would like to thank her for her positive contribution as a Board member during her period of service. In addition, I would like to welcome David Lumsden to the Board as a member nominated trustee.

On a final note, on behalf of the Trustee board, I would like to thank the Group Pensions Department for their ongoing contribution in supporting the Trustee Directors, the Scheme, and most importantly, of all the membership.



**BESTrustees plc, represented by Clive Gilchrist, Chair
Kingfisher Pension Trustee Ltd
28 June 2016**

Kingfisher Pension Scheme

Year ended 31 March 2016

Trustee's annual report

Introduction

Constitution of the Scheme

The Kingfisher Pension Scheme provides a final salary section governed by a Trust Deed dated 15 December 1986, as amended from time to time which closed to future accrual from 1 July 2012 and a money purchase section introduced from 1 April 2004. The Trustees hold Scheme funds on trust to apply them for the purpose of paying pensions and other benefits in accordance with the Trust Deed.

The Financial Statements of the Scheme for the year ended 31 March 2016, as set out on pages 13 to 30 have been prepared and audited in accordance with regulations made under Section 41(1) and (6) of the Pensions Act 1995. The accounts comply with the Statement of Recommended Practice (SORP) 'Financial Reports of Pension Schemes (2015)'.

Management of the Scheme

The Trustee Directors who served during the year are listed on page 3. The Trustee Board consists of nine Trustee Directors, known as Trustees, made up of four Employer appointed Directors, one independent Trustee Directors & four Member Nominated Directors (MNDs). The MNDs serve for a period of four years unless their Trusteeship is terminated or they resign or leave active membership before the end of their term. These Trustee Directors are also able to stand for re-selection for a further one term of four years, making a total of eight years maximum service.

The number of the Trustee Directors shall never be more than 14 or (except on account of casual vacancies or where the Trustees are or include a company) fewer than three. Within these limits, the Company will have power by deed to remove Trustees from office or to appoint new or additional Trustees. A Trustee will be discharged if he is removed or replaced by the Company (provided that there is at least one Trustee remaining) or if he resigns by written notice both to the Company and to the other Trustees (provided that the Trustees continuing in office are at least three in number or include a company). A company which is not the sole Trustee will cease to be a Trustee upon going into liquidation. The Trustee has established the following Committees:

- Defined Benefit Investment Committee
- Defined Contribution Investment Committee
- Audit, Accounts and Governance Committee
- Benefits Committee

Financial development of the Scheme

	FS	FS	MP	MP	Total	Total
	2016	2015	2016	2015	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Income	24,708	25,286	37,854	37,308	62,562	62,594
Payments	(86,712)	(70,185)	(6,475)	(2,950)	(93,187)	(73,135)
Net (withdrawals)/additions	(62,004)	(44,899)	31,379	34,358	(30,625)	(10,541)
Net returns on investments	48,951	643,865	(7,707)	15,502	41,244	659,367
Net increase/(decrease) in fund	(13,053)	598,966	23,672	49,860	10,619	648,826
Transfers between sections	265	504	(265)	(504)	-	-
Net assets at start of year	2,959,513	2,360,043	155,353	105,997	3,114,866	2,466,040
Net assets at end of year	2,946,725	2,959,513	178,760	155,353	3,125,485	3,114,866

A summary of the Scheme's Financial Statements is set out in the table below.

Kingfisher Pension Scheme

Year ended 31 March 2016

Final Salary Section (FS) developments

During the year income into the Scheme remained at £25million (£25 million for the prior year). Payments increased to £87 million compared with £70 million for the prior year

The net returns on investments comprised change in market value of investments of £51 million (prior year: £598 million) and investment income of £3 million (prior year: £51 million) offset by investment management expenses of £5 million (prior year: £5 million).

The Scheme purchased an annuity in December 2015 with Legal & General Assurance Society Limited for £228million. The annuity is in the Trustee's name and the Trustee remains responsible for the running and administration of the scheme and paying all of the members' benefits. The Trustee believes the investment provides a further improvement to the financial security of the Scheme for all members.

The net assets of the FS amounted to £2,947 million at 31 March 2016 (2015: £2,960 million).

Money Purchase Section (MP) developments

Income amounted to £38 million compared with £37 million for the prior year. Payments increased in 2016 to £6 million from £3 million for the prior year. The MP does not pay pensions as annuities are purchased to fund pension benefits, they are bought in the name of the member.

Assets of the MP are invested in pooled investment vehicles which reported a net negative return of £8 million for the year compared to a positive return of £16 million for the prior year.

The net assets of the MP amounted to £179 million at 31 March 2016 (2015: £155 million).

Actuarial Review

The Financial Statements set out on pages 13 to 30 do not take into account the liabilities to provide pension benefits which fall due after the year end. In respect of the Final Salary Section these liabilities are considered by the Scheme Actuary who carries out an actuarial valuation of such liabilities every three years, the latest valuation being at 31 March 2013. This valuation considers the funding position of the Final Salary Section and the level of contributions payable. The valuation discussions as at 31 March 2016 are currently in progress.

In accordance with the Statement of Funding Principles dated 24 March 2014 the Trustee and Kingfisher have agreed that the employers should pay contributions to the Final Salary (FS) section of £35.75 million a year (less SPV income) with effect from 1 April 2014. This will be paid monthly to the FS section of the Scheme from April 2014, increasing with RPI after each three-year period. This rate includes allowance for expenses and death/incapacity benefit costs, but excludes PPF levies, which will be reimbursed separately by the Company. These contributions are set out in the Schedule of Contributions dated 24 March 2014.

The contribution schedule has been derived with reference to the Secondary Funding Objective (the Secondary funding objective targets a strong funding level which is in excess of the minimum Statutory Funding requirements), and is expected to improve the coverage of technical provisions beyond the recovery period for the current deficit. The schedule includes all expenses and life insurance costs. From the 2010 valuation the ultimate Secondary Funding Objective target is for the Scheme to be sufficiently funded to be in a position to secure benefits with insured annuities by 2030.

The formal actuarial certificate required by statute to be included in the Annual Report from the Scheme Actuary appears on page 33. In addition, the Trustee has included the most recent Actuarial Certificate of the calculation of the technical provisions on page 33.

Note: The Technical provisions funding level as at 31 March 2013 has increased to 99.1% (2010: 90.4%). The estimate of the solvency position of the Scheme as at 31 March 2013 is that the assets of the Scheme would have met 67.7% of the cost of buying insurance policies to secure the benefits at that date.

Kingfisher Pension Scheme

Year ended 31 March 2016

Membership

The membership of the Scheme at the beginning and end of the year and changes during the year are set out below.

	Final Salary Section				Money Purchase Section		
	Deferred	Pensioners & Dependants	Total	Life Assurance Only	Active	Deferred	Total
At 1 April 2015	20,960	15,420	36,380	13,117	24,162	7,646	31,808
Opening balance adjustment	-	-	-	-	(973)	967	(6)
New	5	889	894	-	5,808	4,555	10,363
Deaths	(33)	(569)	(602)	-	(15)	(15)	(30)
Retirements	(734)	-	(734)	-	(21)	(279)	(300)
Leavers	(79)	(350)	(429)	-	(4,685)	(867)	(5,552)
At 31 March 2016	20,119	15,390	35,509	13,452	24,276	12,007	36,283

*included in the pensioner numbers are 195 (2015:214) which are secured by an annuity contract.

Employees who opt out of the scheme before contributions are reemitted are not included in these statistics.

Final Salary 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 Trustee may consider the payment of additional discretionary increases at the request of the Employer.

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 the State Earnings Related Pension Scheme (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. Pension increases over the last three years have been:

Year	Pension Increase (%)	RPI (%)
2016	1.2	1.2
2015	1.6	1.6
2014	2.7	2.7

Both Jersey and Guernsey have their own Retail Prices Index (0.9% and 1.1%) respectively at December 2015) and increases for Channel Islands pensioners are calculated in accordance with these.

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 pay a reduced rate of 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.

Each year, the Scheme increases deferred pensions in line with inflation, up to 5% p.a. between the date of leaving and the date of retirement. These increases are non-discretionary.

Kingfisher Pension Scheme

Year ended 31 March 2016

Custody

Custodian services are provided by State Street Bank and Trust Company limited. Although the Trustee Board has delegated day to day management of the Scheme's investments to external managers, the custody (safekeeping) of most of the segregated assets is carried out independently of the managers by State Street Bank and Trust Company Limited. The underlying assets of pooled investment vehicles are held under the custody of separate custodians appointed by the manager of the respective pooled fund. The Scheme's investment in the Special Purpose Vehicle and the annuity contracts are held directly by the Trustee.

Investment management

The Trustee delegates the day-to-day management to professional external investment managers. The Trustee sets the investment strategy for the Scheme after taking advice from the Scheme's investment advisers. The Trustee has put in place investment mandates with their investment managers which implement this strategy.

In accordance with s35 of the Pensions Act 1995, a Statement of Investment Principles has been prepared by the Trustee which incorporates the investment strategy. A copy of the Statement is available to members upon request.

Investment managers are remunerated by fees based on a percentage of funds under management and in some instances a percentage of performance above benchmark.

Final Salary Section – Objectives

Kingfisher plc (the 'Company') and Kingfisher Pension Trustee Limited (the 'Trustee') have agreed:

A funding and investment plan for the Scheme, the Secondary Funding Objective "2FO", which targets a strong funding level and relatively low investment risk and which is in excess of the minimum Statutory Funding requirements. From the 2010 valuation the ultimate 2FO target is for the Scheme to be sufficiently funded to secure benefits with insured annuities by 2030;

Following completion of the 2013 valuation the employer contribution, effective from 1 April 2014 was agreed at £35.75m + RPI (this includes income from the Special Purpose Vehicle, but excludes the Pension Protection Fund levy which the Company has agreed to reimburse the Scheme for). The employer contribution will be reviewed again after the next 3 yearly valuation as at March 2016 and thereafter each formal valuation through to 2030;

The 2FO funding target for 2030 will be the expected cost of securing benefits through insured annuities at that time. For the 2013 valuation the expected annuity terms in 2030 assume a discount rate for future benefit payments in line with yields on gilts of appropriate nature and duration;

Planned investment de-risking switching from return seeking to matching assets. Matching assets constitute 66% of Scheme assets at April 2013 and will constitute 100% of Scheme Assets by April 2030. The Scheme is targeting hedging of the interest rate (83%) and inflation (86%) risks through its liability hedging portfolio. The Company and the Trustee will agree circumstances under which this de-risking plan could be accelerated;

That having extended the initial 2FO target date from 2024 to 2030, there is no intention to extend the target 2FO date beyond 2030. Other details relating to the 2FO and the Statutory Funding Objective are set out in the Statement of Funding Principles which is available to members upon request;

The Company and the Trustee have agreed the above planned high-level asset allocation changes in order to achieve an appropriate level of long-term return with an acceptable degree of risk. In practice, the Trustee wishes to move to the target asset allocation in a cost efficient manner, so the timing and magnitude of switches from return-seeking assets to matching assets will be decided upon by the Trustee based on monitoring of the Scheme's progress in reaching the 2FO and with input from the Company.

Kingfisher Pension Scheme

Year ended 31 March 2016

The objective is subject to regular monitoring by the Defined Benefit Investment Committee with a triennial review as part of the actuarial valuation exercise. The objective forms the basis from which the Defined Benefit Investment Committee develops a more detailed strategy approved by the Trustee Board, which is discussed with the Company. It is then for the Defined Benefit Investment Committee to implement that strategy in terms of asset allocation and the appointment and monitoring of the appropriate managers.

Final Salary Section Investment Performance

The performance of the Scheme's investments is measured against the Scheme specific benchmark. Taking all portfolios together, the return achieved by the Scheme during the year to 31 March 2016 was 1.5%, compared to the Scheme specific benchmark of 2.6%.

Reviewing performance over the longer periods is more relevant to the Scheme's long-term objectives. Over three and five year periods, the annualised returns were 10% and 10.4% compared to the benchmark of 11.9% and 12.2% respectively.

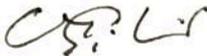
Money Purchase Section – Objectives and performance

A default strategy is provided which the Trustee believes is suitable for the needs of the membership. The Trustee reviews the investment default on a regular basis. The default option for the Money purchase Section is currently the cash target lifestyle option. The objective for the default option is to target investment returns of CPI +3% after all charges over the long term.

Over the four year period to 31 March 2016, the annualised return of the default strategy was 7.3% per annum compared to the annualised objective return of 3.8%.

The Trustee makes available to members of the Money Purchase Section an appropriate range of investment options to which members and the Employer will contribute in order to provide each member with a fund which will be used to secure their benefit at retirement. The Money Purchase Section offers a facility for members to contribute more on a voluntary basis.

The Trustee's Annual Report, which includes the Statement of Trustees Responsibility on page 11 and the Compliance Statement on pages 36-37, were approved by the board and signed on its behalf by:



BESTrustees plc,
Represented by Clive Gilchrist, Chairman

28 June 2015

Statement of Trustee's responsibilities for the Financial Statements

The audited Financial Statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to scheme members, beneficiaries and certain other parties, audited financial statements 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 end of the Scheme 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 Financial Statements have been prepared in accordance with the Statement of Recommended Practice, 'Financial Reports of Pension Schemes'.

The Trustee has supervised the preparation of the Financial Statements and have agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It 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 they should ensure is consistent with the financial statements it accompanies.

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

The Trustee 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.

The Trustees are responsible for the maintenance and integrity of the financial information of the Scheme included on the pension scheme's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions

Independent auditor's 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 2016 which comprise the fund account, the statement of net assets and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the scheme's trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the scheme's trustees those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the scheme and the scheme's trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustee and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 11, the scheme's trustee is responsible for the preparation of financial statements which show a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the scheme during the year ended 31 March 2016 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 year
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

~~28 June 2016~~

6th July 2016

Fund account

for the year ended 31 March 2016					
	Notes	FS	MP	Total	Total
		2016	2016	2016	2015
		£'000	£'000	£'000	£'000
Contributions and benefits					
Employer Contributions	2	23,265	34,971	58,236	57,429
Employee contributions	2		2,272	2,272	2,205
Individual transfers in		-	611	611	688
Other income	3	1,443	-	1,443	2,272
		24,708	37,854	62,562	62,594
Benefits payable	4	(67,523)	(3,020)	(70,543)	(62,654)
Payments to and on account of leavers	6	(13,258)	(3,455)	(16,713)	(5,560)
Other payments	5	(1,945)	-	(1,945)	(1,415)
Administrative expenses	7	(3,986)	-	(3,986)	(3,506)
		(86,712)	(6,475)	(93,187)	(73,135)
Net (withdrawals)/additions from dealings with members		(62,004)	31,379	(30,625)	(10,541)
Returns on investments					
Investment income	8	3,194	5	3,199	50,658
Change in market value of investments	16	51,162	(7,712)	43,450	613,605
Investment management expenses	9	(5,360)	-	(5,360)	(4,861)
Taxation	10	(45)	-	(45)	(35)
Net returns on investments		48,951	(7,707)	41,244	659,367
Net (decrease)/ increase in the fund during the year		(13,053)	23,672	10,619	648,826
Transfer between sections	24	265	(265)	-	-
Net assets of the scheme at 1 April		2,959,513	155,353	3,114,866	2,466,040
Net assets of the scheme at 31 March		2,946,725	178,760	3,125,485	3,114,866

The notes on pages 15 to 30 form part of these Financial Statements.

Kingfisher Pension Scheme

Year ended 31 March 2016

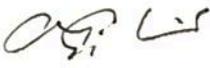
Statement of Net Assets (available for benefits)

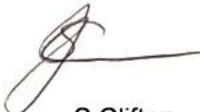
At 31 March 2016			
	Notes	2016	2015
		£'000	£'000
Final Salary Section			
Investment assets:	16		
Bonds		2,673,189	2,324,572
Equities		75,908	98,122
Pooled investment vehicles	11	1,288,591	1,352,641
Derivatives	12	794,200	537,643
Special Purpose Vehicle	13	198,221	200,113
Insurance Policies	14	240,304	-
AVC investments	15	15,788	16,367
Cash		4,912	181,206
Other investment balances	18	18,446	32,532
		5,309,559	4,743,196
Investment liabilities:			
Derivatives	12	(887,147)	(619,335)
Other investment balances	18	(1,481,707)	(1,176,125)
Total investments		2,940,705	2,947,736
Current assets	21	8,473	14,401
Current liabilities	22	(2,453)	(2,624)
Total net assets of FS		2,946,725	2,959,513
Money Purchase Section			
Investment assets:	16		
Pooled investment vehicles	11	178,411	155,141
Current assets	21	437	227
Current liabilities	22	(88)	(15)
Total net assets of MP		178,760	155,353
Total net assets of the Scheme at 31 March		3,125,485	3,114,866

The notes on pages 15 to 30 form part of these Financial Statements.

The Financial Statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do 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 FS, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities included on page 34 and the Actuarial review on page 7 and these Financial Statements should be read in conjunction with that Report.

Signed for and on behalf of the Trustee of the Kingfisher Pension Scheme on 28 June 2016.


BESTrustees plc,
represented by Clive Gilchrist, Chairman


S Clifton

Notes (forming part of the Financial Statements)

1. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (SORP) (Revised November 2014).

In March 2016, amendments were made to FRS 102 revising the disclosure requirements for financial institutions and retirement benefit plans with respect to the fair value hierarchy disclosure. Schemes shall apply these amendments for accounting periods commencing on or after 1 January 2017, however early adoption is permitted. The Trustees have chosen to early adopt the amendments.

The SORP will require amendment in due course, however amendments will not be necessary before any changes to FRS102 can take effect. This is because a change in accounting standards after a SORP has been issued means that any inconsistent provisions of a SORP cease to have effect.

The Scheme has adopted FRS 102 and the SORP (Revised November 2014) in these accounts for the first time. There are no adjustments arising on this transition.

Accounting policies

The principal accounting policies of the Scheme are as follows:

a) Investments

- i. Investments are included at fair value.
- ii. All listed investments are stated at the bid price at the date of the Statement of Net Assets.
- iii. Fixed interest securities are stated at their clean prices. Accrued income is accounted for within investment income.
- iv. Pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads as provided by the investment manager. Non-daily priced funds are valued at the latest available price to the year end date.
- v. Derivatives are stated at fair value.
 - Over the counter (OTC) derivatives are stated at fair value using pricing models and relevant market data as at the year-end date
 - Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
 - All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.
 - Receipts and payments arising from derivative instruments are reported as sale proceeds or purchase of investments.
- vi. Repurchase and Reverse Repurchase arrangements

Under repurchase (repo) arrangements, the Scheme continues to recognise and value the securities that are delivered out as collateral and includes them in the Financial Statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a liability.

Under reverse repurchase (reverse repo) arrangements, the Scheme does not recognise the collateral securities received as assets in its Financial Statements. The Scheme does recognise the cash delivered to the counterparty as a receivable in the Financial Statements.
- vii. The Special Purpose Vehicles (SPV) is valued on a discounted cash flow basis by an in-house treasury team. A discount rate, based on property asset backed bonds and adjusted for Kingfisher plc's credit rating, is applied to the projected future cash flows. The discount rate changes to a

Kingfisher Pension Scheme

Year ended 31 March 2016

risk free rate when the vacant possession value of the properties exceeds the value of the future income streams.

- viii. Annuities purchased in the name of the Trustee unless immaterial, are included in these Financial Statements at the amount of the related obligation, determined using the most recent Scheme Funding valuation assumptions and methodology. Annuity valuations are provided by the Scheme Actuary as at the year-end date.

b) Investment Income

- i. Dividends from quoted securities are accounted for when the security is declared ex-div.
- ii. Interest is accrued on a daily basis.
- iii. Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.
- iv. Investment income arising and distributed from pooled investment vehicles is recognised on an accruals basis. Income arising from underlying investments of the pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles accumulation fund. This is reflected in the unit price and reported within 'Change in Market Value'.
- v. Receipts from annuity policies held by the Trustee to fund benefits payable to Scheme members are included within investment income on an accruals basis to match benefits payable.
- vi. Income from the SPV investment is recognised on a paid basis. Accrued income due for the period to 31 March but paid post year end is reflected in the year end valuation of the SPV asset.

c) Foreign Currencies

The functional and presentational currency of the Scheme is Sterling. Balances denominated in foreign currencies are translated into Sterling at the rate ruling at the year-end date. Asset and liability balances are translated at the bid and offer rates respectively. Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year.

d) Contributions

- i. Employee normal contributions are accounted for when deducted from pay, with the exception of contributions deducted from auto-enrolled members during the opt out period which are accounted for on the earlier of receipt or the expiry of the opt out period. Employer normal contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions
- ii. Employer augmentation contributions are accounted for in accordance with the agreement under which they are being paid.

e) Payments to members

- iii. Benefits are accounted for in the period in which they fall due for payment. Where there is a choice, benefits are accounted for in the period in which the member notifies the Trustee of his decision on the type or amount of benefit to be taken or, if there is no member choice, they are accounted for on the date of retirement or leaving.
- iv. Opt outs are accounted for when the Scheme is notified of the opt out.
- v. Individual transfers in or out are accounted for when paid or received which is normally when member liability is accepted/discharged.

f) Expenses

Expenses are accounted for on an accruals basis. The Final Salary Section bears all the costs of administration. Money purchase annual management charges are deducted directly from the members' retirement accounts.

Kingfisher Pension Scheme

Year ended 31 March 2016

2. Contributions receivable

	FS	2016 MP	Total
	£'000	£'000	£'000
Employer:			
Deficit Funding	23,265	34,896	58,161
Augmentation	-	75	75
	23,265	34,971	58,236
Employees:			
Normal	-	2,209	2,209
Additional Voluntary Contributions	-	63	63
	-	2,272	2,272
	23,265	37,243	60,508

	FS	2015 MP	Total
	£'000	£'000	£'000
Employer:			
Normal	23,014	34,415	57,429
Employees:			
Normal	-	2,149	2,149
Additional Voluntary Contributions	-	56	56
	23,014	36,620	59,634

The employers are required to pay contributions to the FS sections of £35.75m (less SPV investment income) per annum under the Schedule of Contributions dated 24 March 2014.

3. Other Income

	2016	2015
	£'000	£'000
Final Salary Section		
Claims on term insurance	1,443	2,272

4. Benefits payable

	FS	2016 MP	Total
	£'000	£'000	£'000
Pensions	51,586	-	51,586
Commutations and lump sum retirement benefits	14,362	2,853	17,215
Lump sum death benefits	1,575	135	1,710
Purchase of annuities	-	32	32
	67,523	3,020	70,543

	FS	2015 MP	Total
	£'000	£'000	£'000
Pensions	50,700	-	50,700
Commutations and lump sum retirement benefits	8,633	1,157	9,790
Lump sum death benefits	1,946	119	2,065
Purchase of annuities	-	99	99
	61,279	1,375	62,654

Kingfisher Pension Scheme

Year ended 31 March 2016

5. Other payments

	2016	2015
Final Salary Section	£'000	£'000
Premiums on term insurance paid to Zurich Assurance Ltd	1,945	1,415

6. Payments to and on account of leavers

	FS	2016 MP	Total
	£'000	£'000	£'000
Individual transfers to other Schemes	13,258	3,396	16,654
Refunds to members leaving service	-	59	59
	13,258	3,455	16,713

	FS	2015 MP	Total
	£'000	£'000	£'000
Individual transfers to other Schemes	3,992	1,522	5,514
Refunds to members leaving service	-	53	53
Payments for members joining state schemes	(7)	-	(7)
	3,985	1,575	5,560

7. Administration expenses

	2016	2015
Final Salary Section	£'000	£'000
Administration and processing	2,747	2,821
Actuarial fees	321	212
Audit fees	67	47
Legal and professional fees	368	185
Trustee fees	92	101
PPF Levy	391	140
Total	3,986	3,506

8. Investment income

	FS	MP	TOTAL 2016	TOTAL 2015
	£'000	£'000	£'000	£'000
Income from Bonds	40,518	-	40,518	39,522
Dividends from equities	1,772	-	1,772	1,726
Income from pooled investment vehicles	2,931	-	2,931	944
Income from SPV	12,876	-	12,876	12,876
Annuity Income	2,817	-	2,817	202
Interest on cash deposits	(10,793)	5	(10,788)	(5,689)
Income from derivatives	(47,441)	-	(47,441)	597
Other	514	-	514	480
Total	3,194	5	3,199	50,658

Kingfisher Pension Scheme

Year ended 31 March 2016

Investment income shown above reflects income earned by investments within the FS. All income earned on pooled investment units held by the MP is accounted for within the value of those funds.

Receipts from the SPV are recognised as investment income.

Investment income on cash and cash instruments includes £10.9m of interest payments payable under repurchase agreements.

Investment from derivatives includes £49.2m of interest payments payable in relation to swaps.

Overseas investment income is stated gross of withholding taxes. Irrecoverable withholding taxes are reported under 'Taxation' in the Fund Account.

Other income consists of income from class actions and stock lending. During the year the Scheme received income from stock lending of £453,895 (2015: £437,070).

9. Investment Management Expenses

	2016	2015
Final Salary Section	£'000	£'000
Administration, management and custody	5,268	4,618
Performance measurement services	65	74
Other advisory fees	27	169
	5,360	4,861

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 Assets 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 their money purchase rights.

Investment manager expenses for the Money Purchase Section are deducted from units as part of the annual management charge.

10. Tax

The Kingfisher Pension Scheme is a registered pension scheme for tax purposes under the Finance Act 2004. The Scheme is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate (see Note 1 (b) (iii)).

11. Pooled Investment Vehicles (PIVs)

Final Salary Section

The FS holdings of PIVs are analysed below:

	2016	2015
	£'000	£'000
Bond funds	807,557	783,820
Equity funds	288,510	380,443
Property and Farmland	26,068	26,436
Alternative asset funds	166,456	161,942
	1,288,591	1,352,641

Kingfisher Pension Scheme

Year ended 31 March 2016

Money Purchase Section

The Money Purchase Section holdings of PIVs are analysed below:

	2016	2015
	£'000	£'000
Equity funds	86,726	73,559
Bond funds	2,593	9,502
Cash funds	10,056	6,905
Diversified Growth funds	78,947	65,158
Property funds	89	17
	178,411	155,141

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 Assets 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 their money purchase rights.

12. Derivatives

The Trustee has authorised the use of derivatives by their investment managers as part of their investment strategy for the Scheme.

The Scheme has entered into 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.

Futures are used to adjust interest rate exposures and replicate bond positions. Futures often provide a cheap and efficient way of modifying portfolio risk.

Forwards exchange contracts are used to exchange currencies and to help protect against adverse movements in exchange rates.

Summarised details of the derivatives held at the year-end are set out below:

Total derivatives	2016		2015	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Swaps	794,198	(887,145)	537,643	(619,334)
Futures	-	(1)	-	-
FX	2	(1)	-	(1)
	794,200	(887,147)	537,643	(619,335)

(i) Swaps

The Scheme had derivative contracts outstanding at the year-end relating to its LDI investment portfolio. These contracts are traded over the counter (OTC). The details are:

Nature of Contract	Number of Contracts	Notional principal £'000s	2016		
			Maturity	Asset £'000s	Liability £'000s
UK - Interest rate swap	29	918,020	0-5 Years	19,775	(54,386)
	17	308,053	5-10 Years	11,903	(15,754)
	58	989,802	10-20 Years	152,986	(127,526)
	66	1,198,750	20-30 Years	208,435	(204,385)
	44	559,156	30-40 Years	100,046	(179,163)
	34	365,212	40-50 Years	89,153	(118,897)
UK - RPI	12	425,514	0-5 Years	4,802	(11,589)

Kingfisher Pension Scheme

Year ended 31 March 2016

	15	307,954	5-10 Years	3,540	(13,846)
	38	689,018	10-20 Years	26,423	(32,666)
	51	613,477	20-30 Years	63,413	(51,967)
	35	353,492	30-40 Years	63,713	(53,785)
	27	144,933	40-50 Years	43,284	(23,181)
UK – Total Return Swaps	6	98,650	0-5 Years	6,725	-
Total				794,198	(887,145)

The counterparties to the swaps are banking institutions. Collateral, either gilts or cash, is held to support the unrealised gain on swaps. At the year-end the value of collateral posted to and from counterparties was:

	£m		£m
Barclays Bank	(70.0)	Lloyds bank PLC	18.8
BNP Paribas	0.5	Merrill Lynch International	(17.9)
Citigroup	(4.4)	Morgan Stanley & Co International	(22.9)
Credit Suisse International	(0.8)	The Royal Bank of Scotland PLC	9.7
Goldman Sachs International	9.5	UBS AG	(15.0)
HSBC Bank PLC	(0.6)		

The positive and negative values represent collateral held or pledged by the Scheme to support the value of the swaps.

(ii) Futures – These contracts are exchange traded

Nature	Notional Amount	Duration	Asset value at year end	Liability value at year end
	£'000s		£'000s	£'000s
UK fixed interest future	(1,818,300)	June 2016	-	(1)
Total 2016	(1,818,300)		-	-
Total 2015	-		-	-

(iii) Forward Foreign Exchange (FX) – These contracts are exchange traded

All foreign exchange contracts mature within three months of the year end. The Scheme had open FX contracts at the year-end relating to its currency hedging strategy, as follows:

	2016			
	Local Purchased	Local Sold	Asset	Liability
	'000s	'000s	£'000s	£'000s
CAD – Canadian Dollar	361	121	2	-
EUR - Euro	51	-	-	-
JPY - Japanese Yen	32,971	10,969	-	-
USD - US Dollar	223	628	-	(1)
Total			2	(1)

13. Special Purpose Vehicle (SPV)

In January 2011 UK property assets with a market value of £83m were sold to the Kingfisher Scottish Limited Partnership (KSLP) and leased back to B&Q plc under standard commercial lease terms. The KSLP gives recourse for the Scheme to the property assets in the event of Kingfisher's insolvency. The Kingfisher

Kingfisher Pension Scheme

Year ended 31 March 2016

Group retains control over these properties including the flexibility to substitute alternative properties. The Trustee's partnership interest in KSLP entitles it to the majority of the income of the partnership until 2031. At the end of this term, Kingfisher plc has the option to acquire the Trustee's partnership interest in KSLP. A further two UK properties with a combined market value of £119m were transferred to the partnership in June 2011, and leased back to B&Q plc under standard commercial lease terms.

On an ongoing basis, the Scheme receives a regular income stream from the partnership that forms part of the annual cash contribution from the Group to the Pension Scheme under the Schedule of Contributions.

14. Insurance Policies

The Scheme held insurance policies at the year-end as follows :

	2016	2015
	£'000	£'000
Legal & General Assurance Society Limited	240,304	-

In addition to the above, the Trustees hold annuity contracts that secure the benefits of a small number of pensioner members. The value of these contracts is considered immaterial and therefore the Trustee continues to recognise these contracts at a £nil valuation.

15. Additional Voluntary Contributions (AVCs)

AVCs paid by members of the Final Salary Section, to secure additional money purchase benefits 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 retirement account.

Final salary AVCs	2016	2015
	£'000	£'000
Prudential	13,073	13,393
Legal & General	1,444	1,640
BlackRock	1,187	1,236
Phoenix Life	84	98
	15,788	16,367

16. Investment reconciliation

Reconciliation of investments held at the beginning and the end of the year

	Value at 1 April 2015	Purchases at cost & derivative payments	Sales proceeds & derivative receipts	Change in market value	Value at 31 March 2016
Final Salary Section	£'000	£'000	£'000	£'000	£'000
Bonds	2,324,572	1,417,007	(1,125,309)	56,919	2,673,189
Equities	98,122	62,517	(82,295)	(2,436)	75,908
Pooled investment vehicles	1,352,641	39,217	(82,254)	(21,013)	1,288,591
Derivatives	(81,692)	104	(17,020)	5,661	(92,947)
Special Purpose Vehicle	200,113	-	-	(1,892)	198,221
Insurance Policies	-	227,718	-	12,586	240,304
AVC Investments	16,367	-	(1,099)	520	15,788
	3,910,123	1,746,563	(1,307,977)	50,345	4,399,053

Kingfisher Pension Scheme

Year ended 31 March 2016

Cash deposits	181,206	816	4,912
Other investment balances	(1,143,593)	1	(1,463,261)
Net investment assets	2,947,736	51,162	2,940,705

Money Purchase Section

Pooled Investment Vehicles	155,141	52,093	(21,111)	(7,712)	178,411
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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 profits and losses realised on sales of investments during the year.

17. Transaction costs

Transaction costs are included in the cost of purchases and sales proceeds. Direct transaction costs include costs charged to the Scheme such as fees, commission and stamp duty. Transaction costs analysed by main asset class and type of cost are as follows:

	Fees	Commission	Taxes	2016	2015
	£'000	£'000	£'000	Total	Total
				£'000	£'000
Equities	1	100	24	125	120
Bonds	-	-	-	-	19
	1	100	24	125	139

Transaction costs are also borne by the Scheme in relation to transactions in pooled investment vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately reported.

18. Repurchase and reverse repurchase agreements

At the year end, within other investment assets and liabilities, amounts payable under repurchase agreements amounted to £1,479m (2015: £1,141m) and amounts receivable under reverse repurchase agreements amounted to £9m (2015: £0m). At the year-end £1,508m of bonds reported in Scheme assets are held by counterparties under repurchase agreements.

19. Investment Fair Value Hierarchy

Kingfisher Pension Scheme

Year ended 31 March 2016

The fair value of financial instruments has been determined using the following fair value hierarchy:

Level 1: Unadjusted quoted price in an active market for identical instruments that the entity can access at the measurement date.

Level 2: Inputs (other than quoted prices) that are observable for the instrument, either directly or indirectly.

Level 3: Inputs are unobservable, i.e. for which market data is unavailable.

Where multiple inputs are involved in determining the fair value of an instrument, the categorisation is based on the lowest level input (i.e. highest number) that is significant.

At 31 March 2016	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Final Salary Section				
Equities	75,908	-	-	75,908
Bonds	2,673,189	-	-	2,673,189
Pooled investment vehicles	749	1,131,727	156,115	1,288,591
Derivatives	-	-	(92,947)	(92,947)
Special Purpose Vehicle	-	-	198,221	198,221
Insurance Policies	-	-	240,304	240,304
AVC investments	-	2,631	13,157	15,788
Cash deposits	4,912	-	-	4,912
Other investment balances	6,482	-	(1,469,743)	(1,463,261)
	2,761,240	1,134,358	(954,893)	2,940,705

Money Purchase Section

Pooled investment vehicles	-	178,411	-	178,411
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At 31 March 2015	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Final Salary Section				
Equities	98,122	-	-	98,122
Bonds	2,324,572	-	-	2,324,572
Pooled investment vehicles	797	1,200,470	151,374	1,352,641
Derivatives	-	-	(81,692)	(81,692)
Special Purpose Vehicle	-	-	200,113	200,113
AVC investments	-	2,876	13,491	16,367
Cash deposits	181,206	-	-	181,206
Other investment balances	(2,712)	-	(1,140,881)	(1,143,593)
	2,601,985	1,203,346	(857,595)	2,947,736

Money Purchase Section

Pooled investment vehicles	-	155,141	-	155,141
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Kingfisher Pension Scheme

Year ended 31 March 2016

20. Investment risks

Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustee's Report for the Final Salary and Money Purchase Sections. The Trustee manage investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolios.

Further information on the Trustee's approach to risk management and the Scheme's exposures to credit and market risks are set out below.

Concentration risk

Excluding gilts, the Scheme's investments that constitutes more than 5% of total net assets of the scheme are as follows : PIMCO Diversified Income Fund (8%), Insight Bond Plus Fund (8%), GAM Star Absolute Return Bond Plus Fund (8%), L&G Annuity (8%) – see note 14, Special Purpose Vehicle (6%) – see note 13.

Final Salary Section

(i) Credit risk

The FS is subject to credit risk as the Scheme invests in bonds, OTC derivatives, has cash balances, undertakes stock lending activities and enters into repurchase agreements. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

Analysis of direct credit risk

At 31 March 2016				
	Investment grade	Non-investment grade	Unrated	Total
	£'000	£'000	£'000	£'000
Bonds	2,673,189	-	-	2,673,189
Special Purpose Vehicle	-	-	198,221	198,221
OTC Derivatives	92,947	-	-	92,947
Cash deposits	4,912	-	-	4,912
Repos	(1,469,746)	-	-	(1,469,746)
PIVs	-	-	1,288,591	1,288,591
	1,301,302	-	1,486,812	2,788,114

Kingfisher Pension Scheme

Year ended 31 March 2016

At 31 March 2015				
	Investment grade	Non-investment grade	Unrated	Total
	£'000	£'000	£'000	£'000
Bonds	2,324,572	-	-	2,324,572
Special Purpose Vehicle	-	-	200,113	200,113
OTC Derivatives	81,692	-	-	81,692
Cash deposits	181,206	-	-	181,206
Repos	(1,140,881)	-	-	(1,140,881)
PIVs	-	-	1,352,641	1,352,641
	1,446,589	-	1,552,754	2,999,343

Credit risk arising on bonds is mitigated by investing largely in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade. Currently the Scheme's directly held bonds are all in gilts and quasi-government bonds. This is the position at the year end.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter (OTC). OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements (see note 12 (i)). Credit risk also arises on forward foreign currency contracts. There are no collateral arrangements for these contracts but all counterparties are required to be at least investment grade.

Cash is held within financial institutions which are at least investment grade credit rated.

The Scheme lends certain bonds and equity securities under a Trustee approved stock lending programme. At the year end the Scheme had lent £364million, comprising bonds £352million and equities £12million. The Scheme held collateral delivered to secure obligations in respect of loaned securities consisting of cash, bonds and equities with a market value of not less than 102% of the market value of the transferred securities. If the transferred market value of the collateral falls below 100%, the Scheme will enforce prompt delivery of additional collateral.

Credit risk on repurchase agreements is mitigated through collateral arrangements.

The Scheme's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the regulatory and operating environment of the pooled manager.

A summary of pooled investment vehicles by type of arrangement is as follows:

	2016	2015
	£'000	£'000
Unit linked insurance contracts	245,783	336,073
Authorised unit trusts	1,443	1,767
Open ended investment companies	888,572	866,855
Limited liability companies	152,793	147,946
	1,288,591	1,352,641

Indirect credit risk arises in relation to underlying investments held in the bond pooled investment vehicles. This risk is mitigated by only investing in pooled funds which invest in at least investment grade credit rated securities.

Kingfisher Pension Scheme

Year ended 31 March 2016

(ii) Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustee limits overseas currency exposure through currency hedging.

The Scheme's total net unhedged exposure by major currency at the year end was as follows:

	2016	2015
	£'000	£'000
Currency		
US Dollar	75,134	103,497
Euro	31,107	10,832
Japanese Yen	2,280	1,741
Other	133,236	138,133

Currencies included in 'Other' are predominantly emerging market currency exposures contained in the Aberdeen and Rogge emerging market portfolios.

(iii) Interest rate and inflation risk

The Scheme is subject to interest rate risk on the LDI investments comprising bonds and interest rate and inflation swaps held either as segregated investments or through pooled vehicles and cash. At the year end the LDI portfolio comprised:

	2016	2015
	£'000	£'000
Direct		
Bonds	2,673,189	2,324,572
Swaps	92,947	(81,692)
Indirect		
Bond PIVs	807,557	783,820
Alternative asset PIVs	17,649	10,817
Special Purpose Vehicle	198,221	200,113

(iv) Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes directly held equities, as well as equities and alternative assets held in pooled vehicles.

The Scheme manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

At the year end, the Scheme's exposure to investments subject to other price risk was:

	2016	2015
	£'000	£'000
Direct		
Equities	75,908	98,122
Indirect		
Equity PIVs	288,510	380,443
Property & Farmland	26,068	26,436
Special Purpose Vehicle	198,221	200,113
Other alternative asset PIVs	166,456	161,942

Kingfisher Pension Scheme

Year ended 31 March 2016

Money Purchase Section

(i) Direct credit risk

Zurich is regulated by the Financial Conduct Authority and maintains separate funds for its policy holders. Zurich invests all the Scheme's funds in external fund manager unit linked funds which are party to reinsurance arrangements. In the event of default by Zurich, the Scheme is protected by the Financial Services Compensation Scheme.

(ii) Indirect credit and market risks

2016 and 2015				
	Credit risk	Foreign exchange risk	Interest rate risk	Other price risk
Passive Equity Fund	-	✓	-	✓
Active Equity Fund	-	✓	-	✓
Emerging Markets Fund	-	✓	-	✓
Ethical Fund	-	✓	-	✓
Shariah Fund	-	✓	-	✓
Pre-Retirement Fund	✓	-	✓	-
Pre-Retirement Inflation Linked Fund	✓	-	✓	-
Money market Fund	✓	-	✓	-
Diversified Return Fund	✓	✓	✓	✓
Property Fund	✓	-	-	✓

The MP is also subject to indirect credit and market risk arising from the underlying investments held in the funds. The funds which have significant exposure to these risks are set out below:

The analysis of these risks set out above is at Scheme level. Member level risk exposures will depend on the funds invested in by members.

The Trustee has selected the above funds and have considered the indirect risks in the context of the investment strategy described in the Trustee's Report.

21. Current Assets

	2016		
	FS	MP	Total
	£'000	£'000	£'000
Cash Balances	7,790	362	8,152
VAT recoverable	102	-	102
Other debtors	581	75	656
	8,473	437	8,910
	2015		
	FS	MP	Total
	£'000	£'000	£'000
Cash Balances	13,779	206	13,985
Vat recoverable	85	-	85
Other debtors	537	21	558
	14,401	227	14,628

Kingfisher Pension Scheme

Year ended 31 March 2016

22. Current Liabilities

	2016		
	FS	MP	Total
	£'000	£'000	£'000
Expense accruals	1,730	-	1,730
Unpaid Benefits	605	85	690
Expenses due to Kingfisher plc	118	-	118
Tax payable	0	3	3
	2,453	88	2,541

	2015		
	FS	MP	Total
	£'000	£'000	£'000
Expense accruals	2,063	-	2,063
Unpaid Benefits	454	6	460
Expenses due to Kingfisher plc	76	-	76
Tax payable	31	9	40
	2,624	15	2,639

23. Related party transactions

Transactions with related parties of the Scheme have been disclosed in the annual report as follows:

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

Pension payments to Helen Jones and Kerrin Qualters are included within gross pensions. The pensions are calculated in accordance with the rules of the Scheme.

Trustee Director Fees

	2016	2015
	£'000	£'000
BESTrustees plc	51	61
Mark Fawcett	27	26
Helen Jones	9	7
Kerrin Qualters	5	7

24. Transfer between sections

These figures relate to the transfer of funds which are not designated to members from the MP to the FS section.

25. Self-investment

No investment is permitted in the shares or bonds of Kingfisher plc, or Companies majority owned by Kingfisher plc, other than indirectly through investment in pooled funds. The exposure to Kingfisher through pooled funds is less than 0.1% of total scheme assets.

Independent auditor's statement about contributions to the Trustee of The Kingfisher Pension Scheme

We have examined the summary of contributions to the Kingfisher Pension Scheme in respect of the scheme year ended 31 March 2016 which is set out on page 32.

This statement is made solely to the scheme's trustees, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the scheme's trustees those matters we are required to state to it 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 and the scheme's trustees as a body, for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 11 the scheme's trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a **schedule of contributions** showing 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 trustees are also responsible for keeping records in respect of contributions received in respect of active members of the scheme and for monitoring whether contributions are made to the scheme by the employer in accordance with the schedule of contributions .

It is our responsibility to provide a statement about contributions paid under the **schedule of contributions** and to report our opinion to you.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the schedule of contributions This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the schedule of contributions.

Statement about contributions payable under the schedule of contributions

In our opinion, contributions for the scheme year ended 31 March 2016 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the scheme actuary on 24 March 2015



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

~~28 June 2016~~

6th July 2016

Kingfisher Pension Scheme

Year ended 31 March 2016

Statement of Trustee's Responsibilities in respect of Contributions

The Scheme's Trustee 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 Trustee is also responsible for keeping records of contributions received in respect of any active member of the Scheme and for procuring that contributions are made to the Scheme in accordance with the Schedule.

Trustee's Summary of Contributions payable under the Schedule in respect of the Scheme year ended 31 March 2016

This Summary of Contributions has been prepared by, and is the responsibility of, the Trustee. It sets out the Employer and employee contributions payable to the Scheme under the Schedule of Contributions certified by the actuary on 24 March 2015 in respect of the Scheme year ended 31 March 2016. The Scheme Auditor reports on contributions payable under the Schedule in the Auditors' Statement about Contributions.

Contributions payable under the Schedule in respect of the Scheme year	£'000s
Employer	
Normal contributions	58,228
Augmentation contributions	75
Other contributions	
Employee	
Normal contributions	2,149
Contributions payable under the Schedule (as reported on by the Scheme Auditor)	60,542

Reconciliation of Contributions Payable under the Schedule of Contributions to Total Contributions reported in the Financial Statements

	£'000s
Contributions payable under the Schedule (as above)	60,542
Contributions payable in addition to those due under the Schedule (and not reported on by the Scheme Auditor):	
Employee additional voluntary contributions	56
Total contributions reported in the Financial Statements	60,598

Signed on behalf of the Trustee of the Kingfisher Pension Scheme on 28 June 2016



BESTrustees plc,
represented by Clive Gilchrist, Chairman

28 June 2016

Kingfisher Pension Scheme

Year ended 31 March 2016

Actuary's Certification of Schedule of Contributions

For period between 1 April 2014 to 31 March 2019

Name of scheme: Kingfisher Pension Scheme

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in the schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2013 to continue to be met by the end of the period specified in the recovery plan dated 24 March 2015.

Adherence to Statement of Funding Principles

I hereby certify that, in my opinion, the schedule of contributions is consistent with the Statement of Funding Principles dated 24 March 2015.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound up.

Crawford Taylor
Fellow of the Institute of Actuaries

Hymans Robertson
20 Waterloo Street
Glasgow
G2 6DB
Scotland

24 March 2015

Actuarial certification for the purposes of regulation 7(4) (a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of Scheme: Kingfisher Pension Scheme

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 March 2013 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Scheme and set out in the Statement of Funding Principles dated 24 March 2015.

Crawford Taylor
Fellow of the Institute of Actuaries

Hymans Robertson
20 Waterloo Street
Glasgow
G2 6DB
Scotland

24 March 2015

Report on Actuarial Liabilities (forming part of the Trustee's report)

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out by Neil Mobbs (previous scheme actuary, resigned 17 November 2014) as at 31 March 2013. This showed that on that date the value of the Technical Provisions was: £2,462 million. The value of the assets at that date was: £2,441 million.

An estimate of the Scheme's financial position was calculated as at 31 March 2015, based on the results of the most recent full actuarial valuation. This showed that on that date the estimated value of the Technical Provisions was: £2,699 million. The value of the assets at that date was: £2,945 million.

The method and significant actuarial assumptions used to determine the technical provisions were set by Neil Mobbs and are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

Discount rate:

Pre-retirement *The pre-retirement discount rate is the expected return, net of investment management expenses, from a portfolio consisting on average of 60% equities, 40% bonds, having regard to market conditions at the valuation date. The assumption adopted as at 31 March 2013 is a nominal return of 5.05% per annum, or 1.5% per annum in real terms relative to RPI.*

Post-retirement: *The post-retirement discount rate is the expected return, net of investment management expenses, from a portfolio consisting of 100% bonds, having regard to market conditions at the valuation date.*

The assumption adopted as at 31 March 2013 for current pensioners is a nominal return of 3.29% per annum, or -0.2% per annum in real terms relative to RPI. This includes a reduction of 0.2% per annum having regard to yields on the Scheme's swap portfolio at the valuation date.

The assumption adopted as at 31 March 2013 for future pensioners is a nominal return of 4.33% per annum, or 0.8% per annum in real terms relative to RPI. This includes an adjustment to current yields of 0.8% per annum having regard to forward gilt yields as at 31 March 2013.

Inflation: *This has been assessed having regard to the yield curve reflecting the inflation expectations implicit in UK Government bond prices as published by the Bank of England, the average weighted duration of the Scheme's accrued liabilities, and rates available in the swaps market. The Trustee also has regard to the inflation*

Kingfisher Pension Scheme

Year ended 31 March 2016

target given to the MPC of the Bank of England by the government. The RPI assumption adopted is 3.5% per annum as at 31 March 2013.

Pension increases: *The Scheme Rules include provision for increases in line with RPI price inflation up to a maximum of 5% each year, to pensions in excess of GMP. For the actuarial valuation as at 31 March 2013 these increases are assumed to follow the assumed rate of prices inflation less 0.1%.*

Mortality: *Based on the Scheme's pensioner experience over the 15 years from 1998-2013 and an analysis of postcode data held for all members:
Current mortality rates in line with:*

For current male pensioners – 100% of standard S1 table “SAPS All Pensioners Males Amounts” with CMI improvements to 2013.

For future male pensioners – 110% of standard S1 table “SAPS All Pensioners Males Amounts” with CMI improvements to 2013.

For current and future female pensioners – 105% of standard S1 table “SAPS All Pensioners Females Amounts Heavy” with CMI improvements to 2013.

Future improvements in mortality rates in line with CMI 2012 projections using a long-term annual trend improvement rate of 1.5% for males and 1.0% for females.

Crawford Taylor, scheme actuary
Fellow of the Institute and Faculty of Actuaries

Hymans Robertson
20 Waterloo Street
Glasgow
G2 6DB
Scotland

25 May 2016

Kingfisher Pension Scheme

Year ended 31 March 2016

Compliance Statement

Enquiries about the Scheme

Any enquiries concerning the Scheme or requests for copies of this Report, individual benefit statements, the Trust Deed and Rules or the latest report on the Actuarial Valuation of the Scheme should be addressed to the Head of Group Pensions at the office of Kingfisher plc as noted on page 2.

Internal Disputes Resolution Procedure

Any questions you have should be directed to the Administrators first of all, as they have full details of your membership of the Scheme. The Administrators will make every attempt to answer your questions, but if you have a complaint or dispute that you cannot resolve with the Administrators, you should use the Internal Dispute Resolution Procedure, via Kingfisher Group Pensions department.

This is a formal procedure, put in place by the Trustee, to settle any complaints and disputes about the Scheme. It is available on request to all members and beneficiaries, including leavers who still have rights in the Scheme, pensioners and other individuals who have an entitlement or possible entitlement in the Scheme. There are two stages:

Stage one

Kingfisher Group Pensions Department will give you a form to complete to register your complaint. If you wish, you may nominate a representative to make the complaint on your behalf. Your complaint will be investigated by the Head of Group Pensions and you will normally receive a response within 10 days. The response will include details about how you progress to Stage two of the procedure, if your complaint is not resolved at Stage one.

Stage two

If you are unhappy with the response from the Head of Group Pensions, you can refer your complaint to the Trustee. You should do this within six months of receiving the Head of Group Pensions response. You will normally be sent a response within two months of your complaint.

The Pensions Advisory Service (TPAS)

If your complaint is not resolved through the IDRPs you can take it further by contacting The Pensions Advisory Service. Making a complaint to them will not affect your right to take legal action later.

TPAS is available to help members and beneficiaries of occupational pension schemes with any pension query they may have, or any difficulties they have been unable to resolve with the Trustee or administrators. They can be contacted either through your local Citizens Advice Bureau if you wish or direct:

The Pensions Advisory Service

11 Belgrave Road

London SW1V 1RB

Tel: 0845 6012923 (Mon-Fri 9am-5pm)

Email: enquiries@thepensionsadvisoryservice.org.uk

Web: www.thepensionsadvisoryservice.org.uk

Pensions Ombudsman

If you are still not satisfied, you can refer the complaint to the Pensions Ombudsman. The Pensions Ombudsman is appointed to investigate complaints and judge the facts of a case, in relation to a pension scheme's rules and statutory regulations. Normally the Ombudsman will ask TPAS to consider the complaint first. Their address is:

The Office of the Pensions Ombudsman

11 Belgrave Road

London SW1V 1RB

Tel: 0207 6302200 (Mon-Fri 9am-5pm)

Email: enquiries@pensions-ombudsman.org.uk

Web: www.pensions-ombudsman.org.uk

Kingfisher Pension Scheme

Year ended 31 March 2016

Other Pensions Organisations

The Pensions Regulator

Kingfisher Pension Scheme is regulated by the Pensions Regulator who regulates the running of occupational pension schemes and can intervene if those responsible have failed in their duties. Their address is:

The Pensions Regulator

Napier House

Trafalgar Place

Brighton BN1 4DW

Tel: 0870 6063636 (Mon-Fri 9am-5.30pm)

Email: customersupport@thepensionsregulator.gov.uk

Web: www.thepensionsregulator.gov.uk

Pension Protection Fund (PPF)

The PPF was set up in April 2005 to protect the pensions of most members of defined benefit schemes where employers get into financial difficulties and leave a scheme without enough funds to pay the pensions in full. Their address is:

Pension Protection Fund

Knollys House

17 Addiscombe Road

Croydon

Surrey CR0 6SR

Tel: 0845 6002541 (Mon-Fri 9am-5.30pm)

Email: information@ppf-gsi.gov.uk

Web: www.pensionprotectionfund.org.uk

Pension Wise

Following changes in Pension Legislation, more options are now available. To help you understand your retirement options, the Government has set up a free and impartial service, called Pension Wise. (Pension Wise will not recommend any products or tell you what to do with your money)

Website Address: www.pensionwise.gov.uk

To book a phone or face to face appointment call:

Telephone Number: 0300 330 1001

(or +44 203 733 3495 if calling from outside the UK)

Telephone Lines are open from 8am until 10pm Monday to Sunday.

Kingfisher Pension Scheme

Year ended 31 March 2016

Tax Status with HM Revenue & Customs

The Scheme is a 'registered pension scheme' for tax purposes under the Finance Act 2004. As such most of its income and investment gains are free of taxation. However, the Scheme cannot reclaim certain amounts of withholding taxes relating to overseas investment income.

Constitution

The Kingfisher Pension Scheme is constituted by a Trust Deed and is administered in accordance with the Rules contained in the Deed. Members may inspect this Trust Deed on application to the Trustee or Scheme Administrator. The Final Salary Section of the Scheme is contracted-out of the State Second Pension.

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.

'Member Guide', the explanatory booklets for the Money Purchase Section and Final Salary Section.

'AVC Fund Fact Sheets' 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; alternatively they may be obtained from the relevant company contacts.

Kingfisher Pension Scheme - Money Purchase Section - Annual governance statement by the Chair of Trustee

Introduction

New governance rules apply to defined contribution pension arrangements like the Kingfisher Pension Scheme Money Purchase Section from 6 April 2015. These were designed to help members achieve a good outcome from their retirement savings.

As the Chair of the Trustee Board, from this year on I have to provide you with a yearly statement which explains what steps have been taken by the Trustee Board, with help from our professional advisers, to meet the new governance standards. The law sets out what information has to be included in my statement and this is covered in sections 1 to 4 below.

The Trustee is committed to having high governance standards and we have a number of dedicated sub-committees which meet regularly to monitor the controls and processes in place in connection with the Scheme's investments and administration. More information about the sub-committees is on page 6 of this Annual Report.

I welcome this opportunity to explain what we, the Trustee, do to help to ensure the Scheme is run as effectively as it can be. If you have any questions about anything that is set out below, or any suggestions about what can be improved, please do contact Dermot Courtier, Secretary, KPTL and KPS [and Head of Group Pensions?].

1 Default strategy

The default strategy is provided for members who join the Scheme and do not choose an investment option for their contributions. Members can also positively choose to invest in the default strategy. At 31 March 2016 approximately 97% of members were invested in the default strategy.

Setting an appropriate investment strategy

The Trustee is responsible for the investment governance. This includes assessing whether the default strategy (the strategy into which members are invested unless they specifically select another investment option) are

designed and implemented in the interest of members and include clear statements of the strategy's aims and objectives.

We have chosen the 'lifestyle cash target' strategy as the Scheme's default strategy. Details of the investment strategy and investment objectives of the default strategy are recorded in a document called the Statement of Investment Principles. This document is available on the Trustee website to members or upon request.

In summary, the key points to note in respect of the default strategy are as follows :

- The default option for the Money Purchase Section is what is known as a lifestyle option. The aim of this option is to try to ensure that member's funds are invested in appropriate funds at the appropriate time, based on their age and the number of years until their selected retirement date.
- The objective for the default option is to target investment returns of inflation (for which we use the Consumer Price Index) +3% after all charges over the long term. The Trustee believes this would provide a reasonable probability that an average member could achieve an income of 2/3rds of their final salary, including their state pension, at retirement if they contribute to the Scheme throughout their working life, paying the minimum contribution rates offered by the Scheme.

Reviewing the default strategy

The Trustee is expected to:

- review the investment strategy and objectives of the default strategy at regular intervals, and at least once every 3 years; and
- take into account the needs of the Scheme membership when designing the default strategy.

The Scheme's DC Investment and Retirement Committee review the investment objectives and the performance of the default strategy at

Kingfisher Pension Scheme

Year ended 31 March 2016

least once a year taking external advice as and when required.

The Trustee reviews all funds and their performance on a quarterly basis, and new funds are added, or funds are, changed as and when it is felt to be appropriate.

In the last Scheme year we have reviewed the default strategy. In carrying out this review, we have obtained information about our member's needs, attitudes to risk, and retirement expectations by:

- carrying out a demographic analysis including member's age, salary, contribution rates etc., this was undertaken whilst considering the default strategy objective.
- modelling with our investment advisers a variety of different investment strategies and revisions to the funds in the default strategy before deciding on what changes would be appropriate.
- as part of the default strategy modelling, the Committee assessed different strategies and looked at the risk adjusted returns of the default fund modelled over a 30 year period. They also looked at the expected return and volatility the blend of investments exhibited and the range of outcomes over that timeframe to try to get the balance between risk and return right.
- Further information regarding member expectations will be gathered as part of the "Saving for Your Future" programme, including surveys.

As a result of the review this year, the Trustee switched the consolidation phase from a lifestyle strategy that targeted 75% bonds and 25% cash over the ten years to expected retirement date to one that targeted 100% cash over five years. The default selected retirement age was also changed to an individual's specific State Pension age (60 to 68) for all members.

These decisions were taken after in-depth analysis, recognising that the majority of members will be reliant on the State Pension for the majority of their retirement income, and will therefore be unable to afford to retire until they reach State Pension age, additionally the vast majority will opt for 100% cash as their retirement option over the next three to five years.

2 Charges and transaction costs paid by members

We are required to explain the charges and transaction costs (i.e. the costs of buying and selling investments in the Scheme) that are paid by members rather than the employer.

Where information about the member costs and charges is not available, we have to make this clear to you together with an explanation of what steps we are taking to obtain the missing information.

The level of charges and transaction costs applicable to the Scheme's default strategy during the last scheme year were:

- The total charge for the default strategy (0.48%) is well under the legal charge cap of 0.75%. The annual management charges are published in the member guide, and the fund factsheets.
- Efforts are continually made to reduce charges and costs whenever possible.
- Unfortunately we do not have the information to be able to disclose more about transaction costs in relation to the funds offered under the Scheme. We are continuing to actively work with Zurich to seek greater transparency on transaction costs.

Good value for members

When assessing the charges and transaction costs which are payable by members, the Trustee is required to consider the extent to which the investments options and the benefits offered by the Scheme represent good value for members when this is compared to other options available in the market.

There is no legal definition of "good value" and so the process of determining good value for members is a subjective one. We have received advice on how to assess good value from our advisers and considered regulatory guidance.

As a starting point to assessing "good value", we have compared the level of charges in each fund with the levels of return they have delivered to members. The fees are reviewed by the DC Investment and Retirement Committee each quarter as is the performance of the funds.

Value for money is a key consideration and is one of the factors in the Trustee's decision to

Kingfisher Pension Scheme

Year ended 31 March 2016

use passive funds as the building blocks for the default strategy.

We have also considered how the charges and transaction costs borne by members (the costs of membership) compare against the services and benefits provided by the Scheme (the benefits of membership). The Trustee benchmarks by comparing both the money purchase offering and the provider against what else is available.

Achieving value for money for members whilst offering good benefits and high level of customer service is a key consideration.

The benefits of membership include:

- An offering that is appropriate for the majority of members (members that are generally low earners, paying low contribution rates), whilst still offering a suitable range of investment funds for members that may wish to express their own investment views or have different circumstances and needs.
- the award winning 'Saving for Your Future' education programme which employs a range of communication media including the development of an educational pensions 'app'.

The effectiveness of the administration is reviewed by the DC Investment and Retirement Committee on a quarterly basis with administration results compared to the service level agreement levels for timeliness. Based on our assessment and the view of our advisers, we have concluded that the Scheme represents good value for members.

3 Core financial transactions

The Trustee is required to report to you about the processes and controls in place in relation to the "core financial transactions". The law specifies that these include the following:

- investing contributions paid into the Scheme;
- transferring assets related to members into or out of the Scheme;
- transferring assets between different investments within the Scheme; and
- making payments from the Scheme to or on behalf of members.

We must ensure that these important financial transactions are processed promptly and accurately. In practice we delegate responsibility for this to the Scheme administrator. Our Scheme administration is delivered by Zurich Corporate Pensions.

The Scheme administrator provides regular reports to the DC Investment and Retirement Committee which allows the assessment of how quickly and effectively the core scheme financial transactions are completed. Any mistakes or delays are investigated thoroughly and action is taken to put things right as quickly as possible.

I am pleased that in the last scheme year there have been no material administration service issues which need to be reported here by the Trustee. We are confident that the processes and controls in place with the administrator are robust and will ensure that the financial transactions which are important to members are dealt with properly.

4 Trustee knowledge and understanding

The law requires the Trustee Board to possess, or have access to, sufficient knowledge and understanding to run the Scheme effectively. We take our training and development responsibilities seriously and keep a record of the training completed by each member of the Trustee Board. This training record is reviewed annually to identify any gaps in the knowledge and understanding across the board as a whole. This allows us to work with our professional advisers to fill in any gaps.

Group Pensions Department organises a number, normally 3 to 4, bespoke Trustee training days throughout the year. The days are open to all Trustee Directors, potential future Trustee, Company delegates and Group Pension team members. The training covers a wide range of topics.

All of the Trustee Directors have completed the Trustee Toolkit made available by the Pensions Regulator. Newly appointed Trustees are expected to complete the Trustee Toolkit and have formal induction training within 6 months of joining the Trustee Board.

Kingfisher Pension Scheme

Year ended 31 March 2016

As a result of the training activities which have been completed by the Trustee Board individually and collectively, and taking into account the professional advice available to the Trustee, I am confident that the combined knowledge and understanding of the board enables us to exercise properly our functions as the Trustee of the Scheme.



BESTrustees plc,
represented by Clive Gilchrist, Chairman

28 June 2016

5. General

No members of the trustee board is affiliated with any body that provides advisory service.

A clear and transparent process exists to appoint member nominated trustees.

Members can contact the scheme with queries/views by using the website or Scheme APP,