

Final Salary Section (the Scheme) 2016 Valuation Update

Kingfisher
Pension Scheme

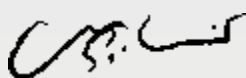
Every three years, the Trustee carries out a formal valuation of the Scheme and then writes out to you to update you on the financial position of the Scheme. Recently, the latest valuation has been finalised and agreed and the results are now available.

This newsletter provides a brief update for you on the agreement reached between Kingfisher Pension Trustee Limited (the Trustee) and Kingfisher plc. (the Company) and sets out the decisions and plans of action that have now been agreed.

Overall the funding levels have improved and I am happy to confirm the Trustee is on course against its objectives and there was no technical provision deficit at the time of signing off the valuation.

This newsletter is for information purposes only, it does not affect your current benefits.

If you have any question about the Valuation please contact the Group Pensions Department or visit the Trustee website at www.kingfisherpensions.com.



**Clive Gilchrist, Chairman
Kingfisher Pension Trustee Limited**



What is the Trustee's objective?

The Trustee's objective is to have enough money in the Scheme to pay pensions now and in the future for all its membership.

The Trustee and Company have agreed a long term objective, known as the Secondary Funding Objective (2FO) to help achieve this. Its aim is to hold enough funds to meet Scheme benefits and invest mainly in low risk assets by 2030 in order to limit the reliance the Scheme has on the Company for further financial support.

How is the Scheme funded?

The Scheme is funded by regular contributions paid by the participating UK employers i.e. B&Q, Screwfix, KITS and Kingfisher plc, together with dividends and investment returns from the Scheme's £2.9bn worth of investments.

The Trustee and the Company have agreed contributions of £35.75m per annum until 31 March 2017 increasing to £37m per annum from 1 April 2017 towards the 2FO funding position.

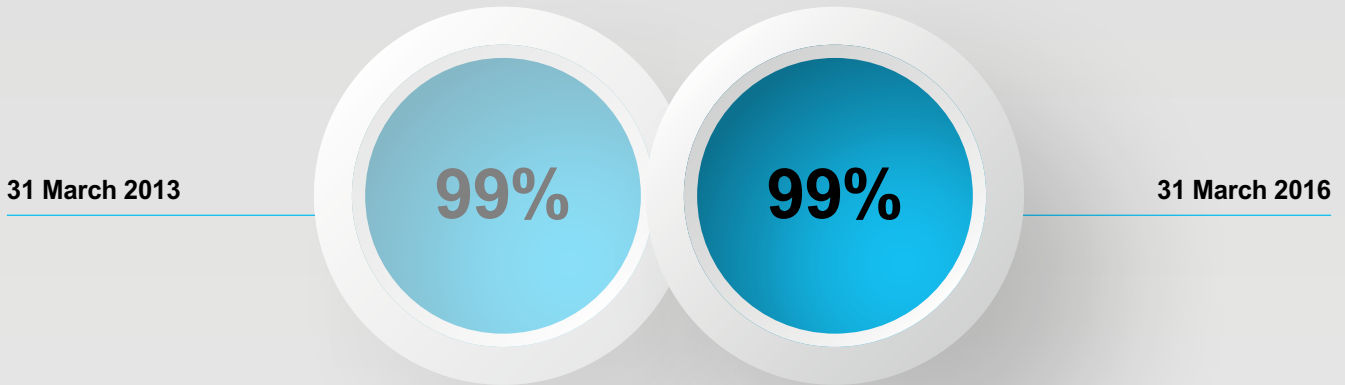
The contributions will be increased on 1 April 2020 to account for 3 years' worth of RPI inflation over the period 1 January 2017 to January 2020. A similar increase will apply in 2023.

The Trustee, and in particular the Investment Committee, monitors the Scheme's investments. Their focus is on strategic issues, performance of the investments and the financial health of the Scheme. The Trustee also ensures contributions are paid to the Scheme when they fall due.

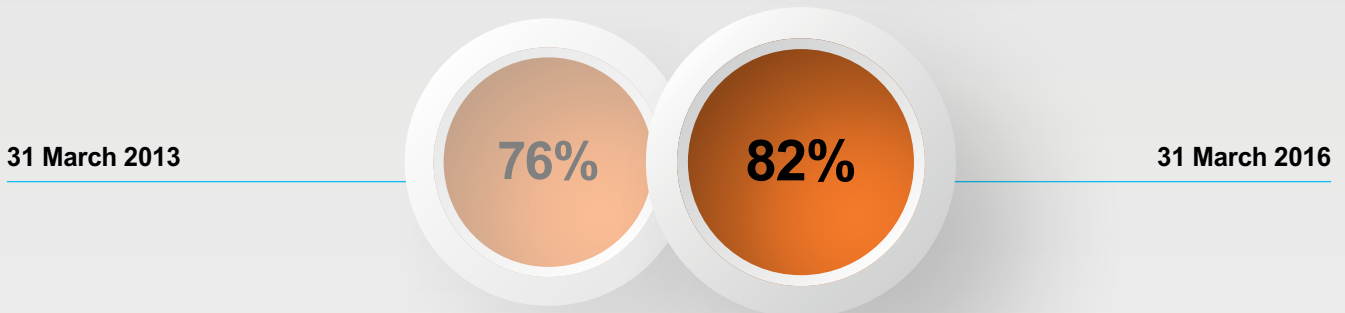
The Scheme's funding position

The Trustee monitors the Scheme's funding position using 2 different measures for the expected cost of the benefits:

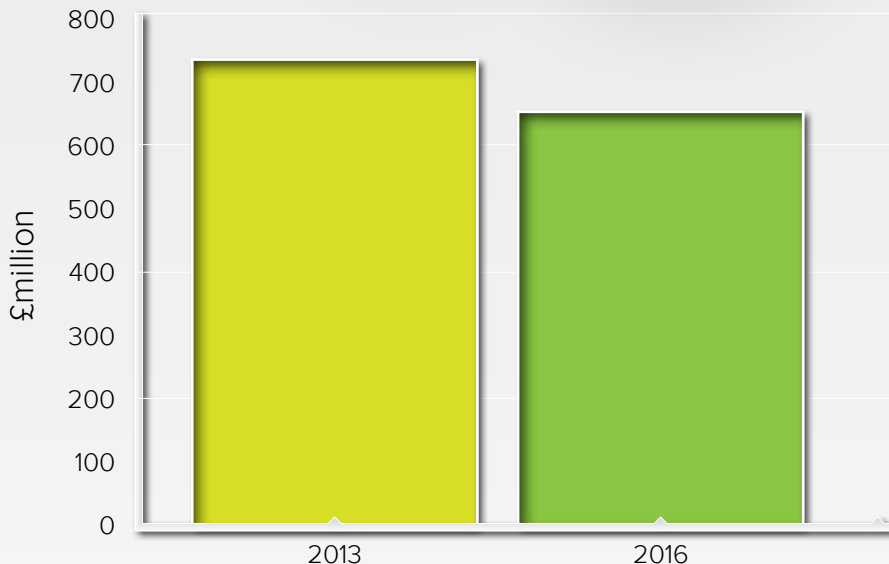
- 1 Technical Provisions:** The Scheme's valuation as at 31 March 2016 was similar to the previous Scheme valuation as at 31 March 2013 with a funding level of 99% at both dates. This meant that there was a very slight shortfall between the Scheme's investments and the technical provisions. The deficit had turned to a small surplus at the time the valuation was signed off in July 2016.



- 2 2FO:** The Scheme's Actuary uses assumptions which are based on how well funded the Scheme would be if it relied only on low risk assets, for example Government bond investments, for its future returns. The 2FO funding level improved from 76% in 2013 to 82% in 2016. The company continues to pay contributions to the Scheme to improve this further and the Trustee monitors the 2FO funding position on a regular basis.



The 2FO deficit has decreased from £732m at the 2013 valuation to £646m at this valuation.



The Actuarial Valuation results in more detail

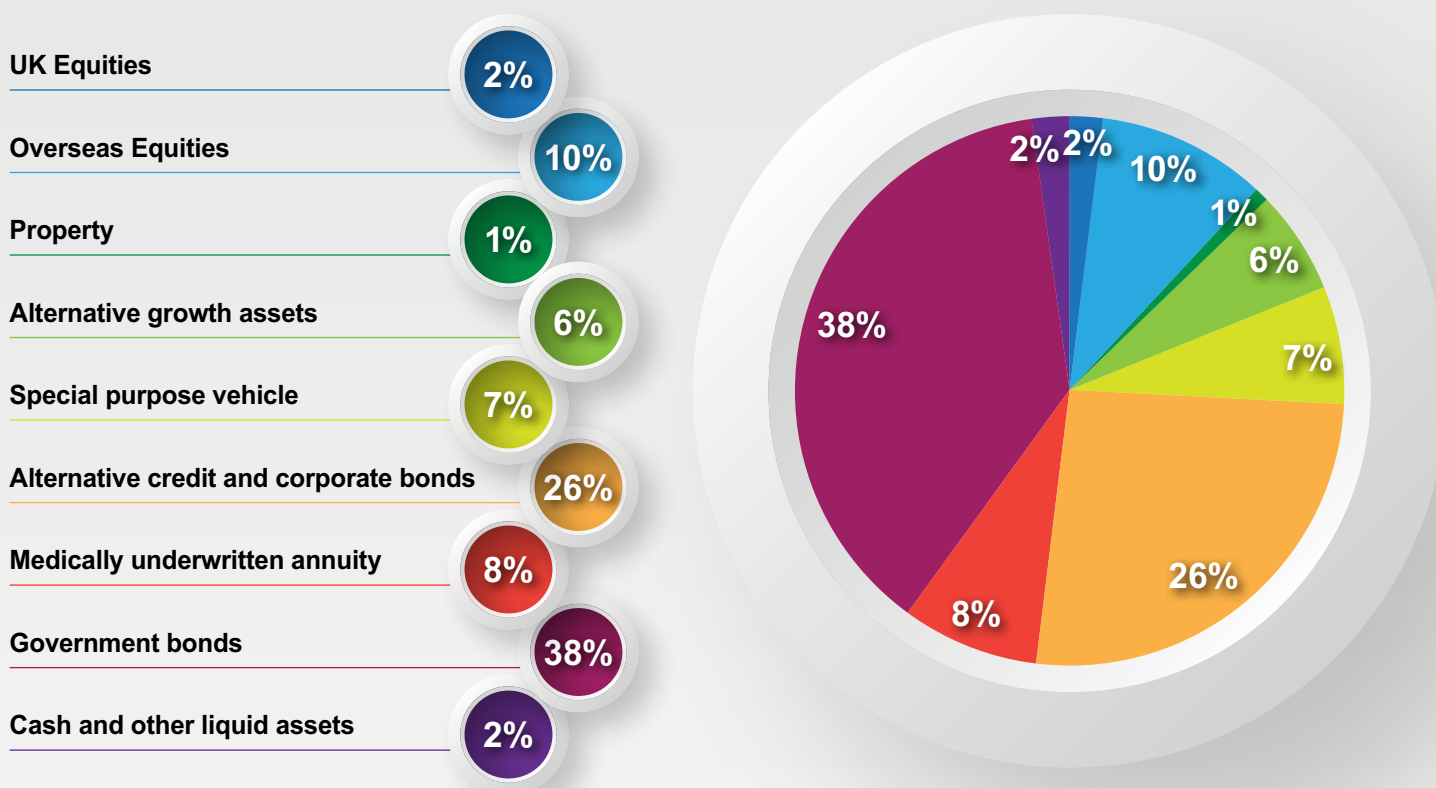
The results of the 2013 and 2016 valuations are shown in the table below.

Results (£m)	2FO Basis		Technical Provisions Basis	
	31 March 2013	31 March 2016	31 March 2013	31 March 2016
Liabilities	3,098	3,577	2,387	2,968
Assets	2,366	2,931	2,366	2,931
Deficit	732	646	21	37
Funding level	76%	82%	99%	99%

The contributions payable to meet the 2FO by 2030 are expected to address the £646m deficit shown in the table.

Investment Strategy

A summary of the Scheme's investment allocation at 31 March 2016 is shown below:



...and finally

The Trustee would like to thank everybody involved in the valuation process for their hard work in delivering these results which keep us on course to meet our objectives.

If you have any questions on any of the information provided in this announcement, please contact the Trustee.

A copy of the full valuation report as at 31 March 2016 is available on written request to the Group Pensions Department. A copy of this document will also be placed on the Trustee website www.kingfisherpensions.com shortly.



Awards

We are pleased to announce Kingfisher Pension Trustee Limited won the **'Financial News 2016 Awards for Excellence'** for Best De-Risking Strategy in June 2016 and also the **'Intuitional Investors UK & Ireland Awards'** for **'Most Innovative Pension Scheme'** in June 2015. Both awards are a result of the work carried out on the Final Salary section.

The Trustee believes this is great recognition across the Scheme and the strategy for the Scheme, Trustees and group pensions team. A great 'One Kingfisher' effort.



Are your details up to date?

The KPS is a valuable benefit for both you and your loved ones. Remember to let the Trustee know via the KPS administrators if you move address or have a change in personal circumstance so that we can keep you up to date on your KPS benefits and pensions news.

It is also important to keep your beneficiary form up to date to ensure that the Trustee can consider your wishes in the event of your death. Beneficiary forms are available to download from the Trustee website www.kingfisherpensions.com, and should be returned to the Kingfisher Group Pensions Department.

Contact Details

Administrators

The KPS-FS is administered by Kingfisher Group Pensions Department.

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3 Sheldon Square, Paddington, London, W2 6PX

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You can also visit the Trustee's website at www.kingfisherpensions.com