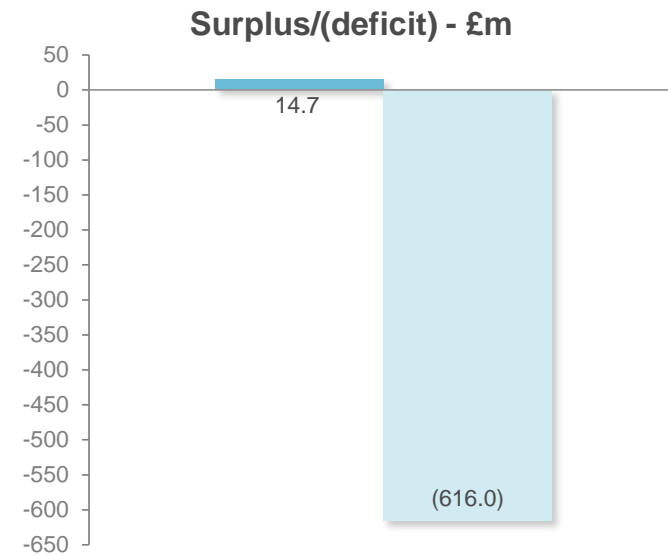
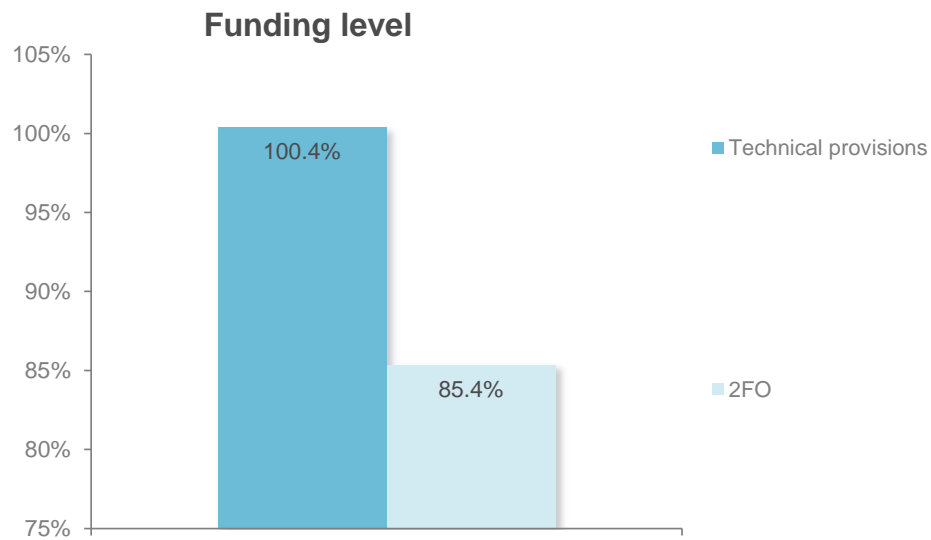


Kingfisher Pension Scheme

Actuarial report as at 31 March 2017



Summary

This actuarial report is provided to the Trustee to illustrate the estimated development of the funding position from 31 March 2016 to 31 March 2017 for the Kingfisher Pension Scheme (“the Scheme”).

The technical provisions (TP) funding level at the latest formal valuation was 99%. As at 31 March 2017 the technical provisions funding level has increased to 100%¹. The 2FO funding level has improved from 82% as at 31 March 2016 to 85% as at 31 March 2017.

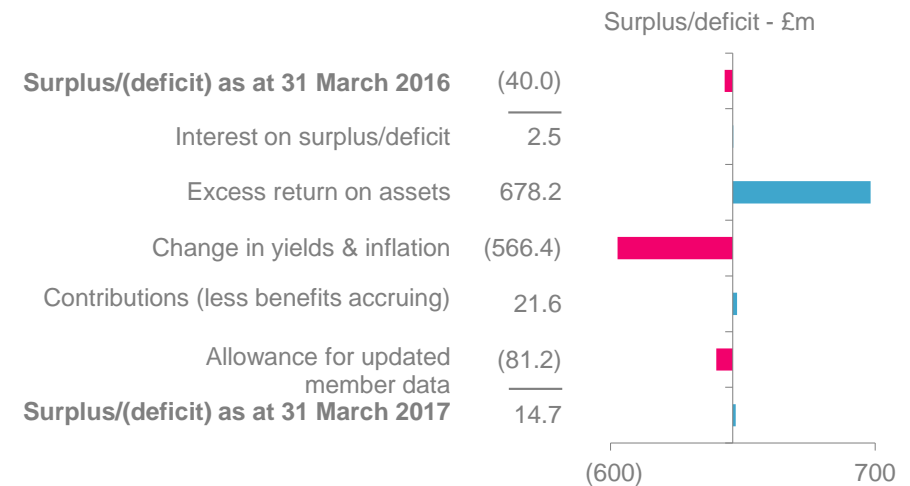
The main reason for the improvement in the funding level is strong asset returns over the year. In addition, contributions have been received from the company towards meeting the 2FO which has also acted to improve the funding level.

It should also be noted the 2016 Club Vita analysis highlighted that allowing for the most recent individual longevity curves would result in a small liability reduction (of c0.4%). However, we have not allowed for this here to ensure consistency with the 2016 valuation basis.

I look forward to discussing this with the Trustee at its next meeting.

Crawford Taylor FIA
Scheme Actuary

What’s happened since the last update – technical provisions basis



Differences between this actuarial report and a full actuarial valuation

This actuarial report allows for changes in individual members’ data since the last valuation, based on the membership data as at 31 March 2017 provided to us by Group Pensions.

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

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

¹ The reason the TP funding level has not increased by as much as the 2FO is that we have allowed for a membership refresh as at 31 March 2017 and this has captured a greater liability in respect of pensioner members. This may be as a result of more members taking early retirement than expected as well as the impact of data cleansing / GMP reconciliations. Please note that the TP basis tends towards the 2FO basis with a discount rate of 3% over gilts pre-retirement and 0% p.a. over gilts post retirement (i.e. the 2FO basis).

Estimated financial position at 31 March 2017

Technical provisions

£m	31 Mar 2016	31 Mar 2017
Assets	2,928.0	3,591.1
Liabilities	2,968.0	3,576.4
Surplus/(deficit)	(40.0)	14.7
Funding level	98.7%	100.4%

2FO

£m	31 Mar 2016	31 Mar 2017
Assets	2,928.0	3,591.1
Liabilities	3,577.0	4,207.1
Surplus/(deficit)	(649.0)	(616.0)
Funding level	81.9%	85.4%

Market indicators

	31 Mar 2016	31 Mar 2017
Market yields (p.a.)		
Fixed interest gilts	2.17%	1.65%
Index linked gilts	-0.96%	-1.68%
Implied inflation	3.16%	3.39%
AA corporate bonds	3.33%	2.50%
Price indices		
FTSE All Share	3,395	3,990
FTSE 100	6,175	7,323

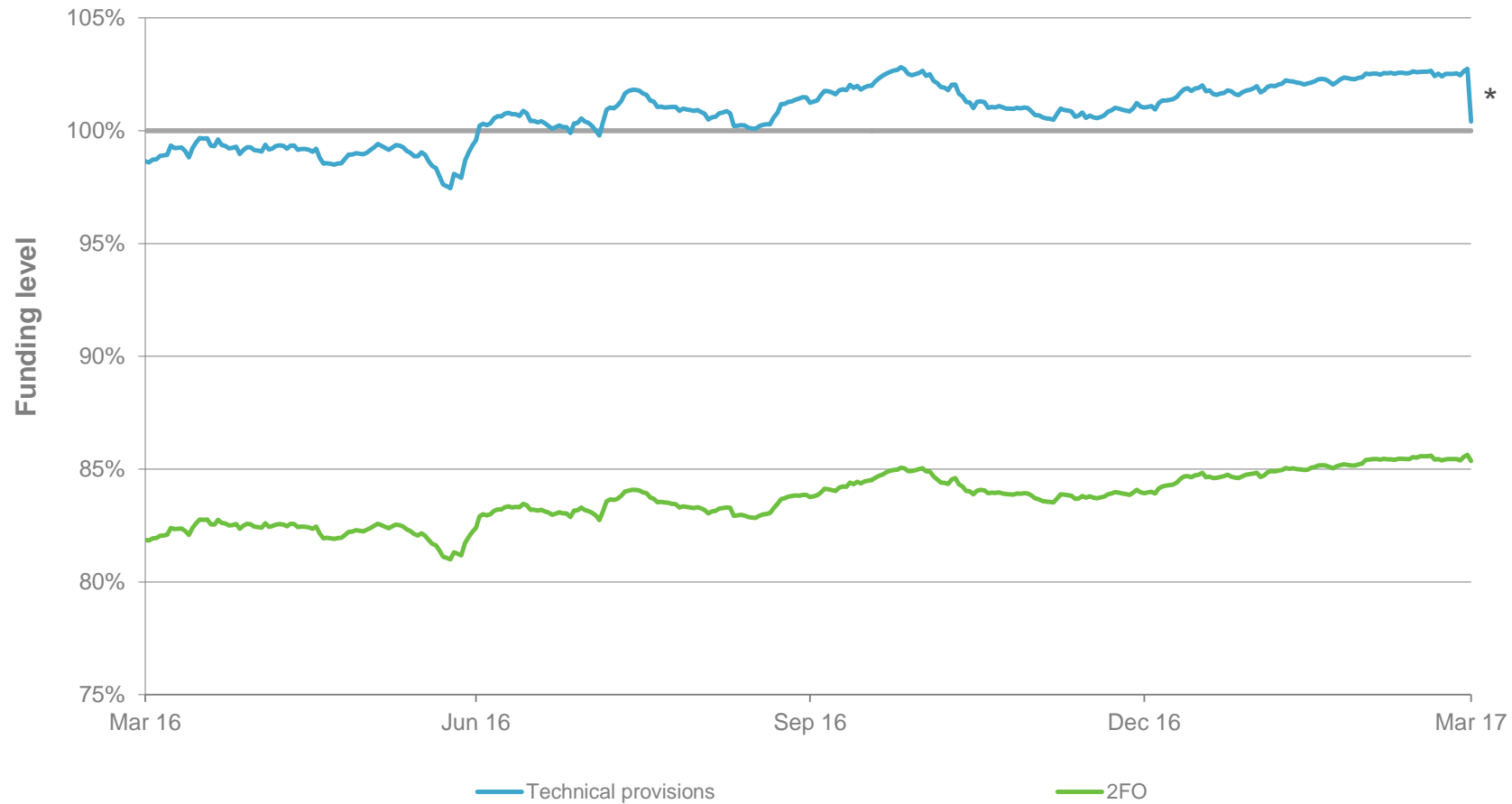
Notes: Please refer to appendix for full details of these indices.

Basis summary

Basis name	Technical provisions	2FO
Basis type	Gilts curve	Gilts curve
Adjustments to the curves/yields (p.a.)		
Pre retirement discount rate	+3.00%	0.00%
Post retirement discount rate	0.00%	0.00%
Salary increase	0.00%	0.00%
Inflation (RPI)	0.00%	0.00%

The assumptions underlying the technical provisions are set out in the Trustee's statement of funding principles.

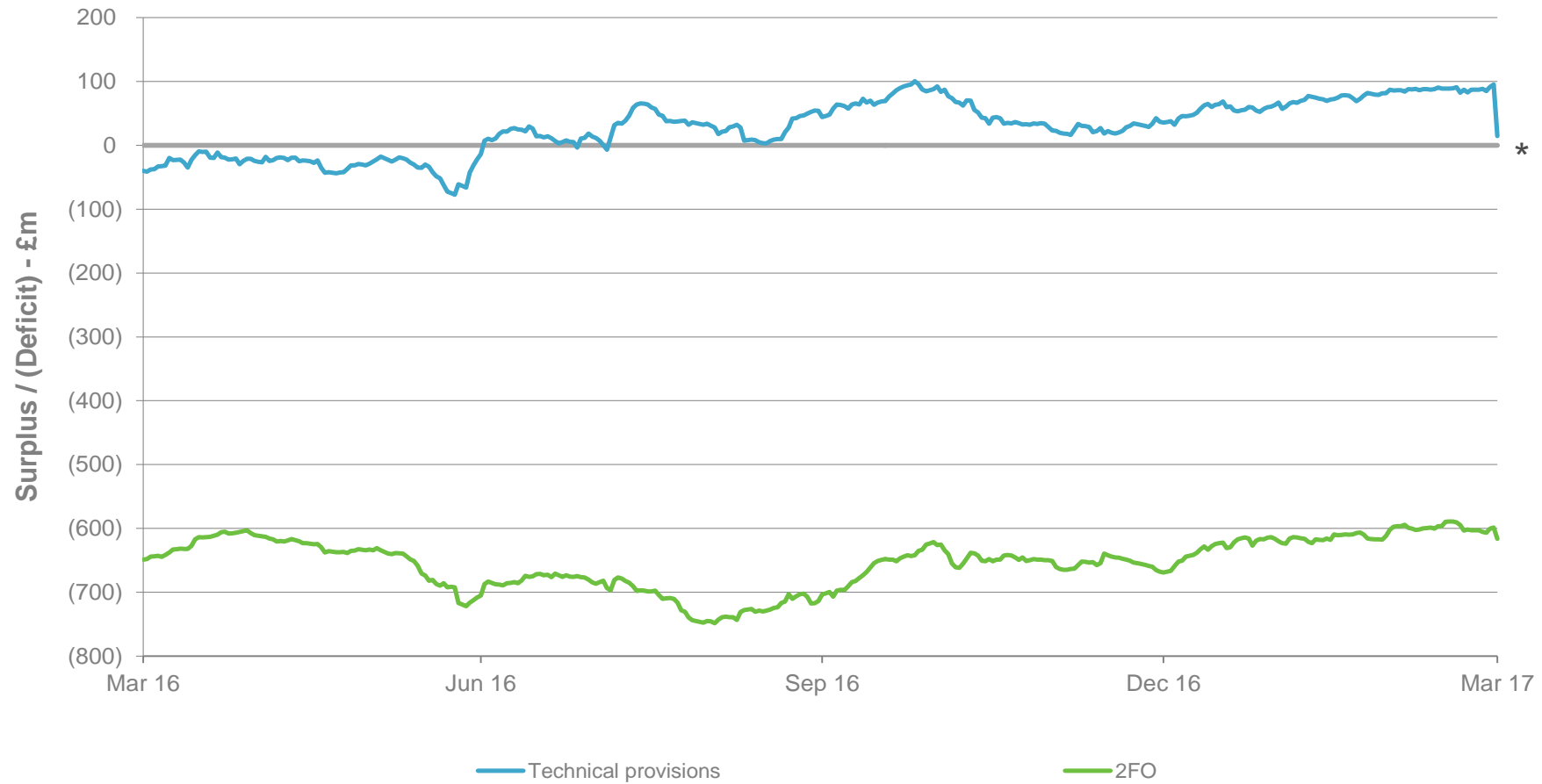
Change in funding level since last valuation



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

* The data refresh captured a greater liability in respect of pensioner members e.g. as a result of more members taking early retirement than expected as well as the impact of data cleansing / GMP reconciliations. As the TP basis tends towards the 2FO basis with a discount rate of 3% over gilts pre-retirement and 0% p.a. over gilts post retirement (i.e. the 2FO basis) there is therefore a step change in the technical provisions liabilities.

Change in funding position since last valuation



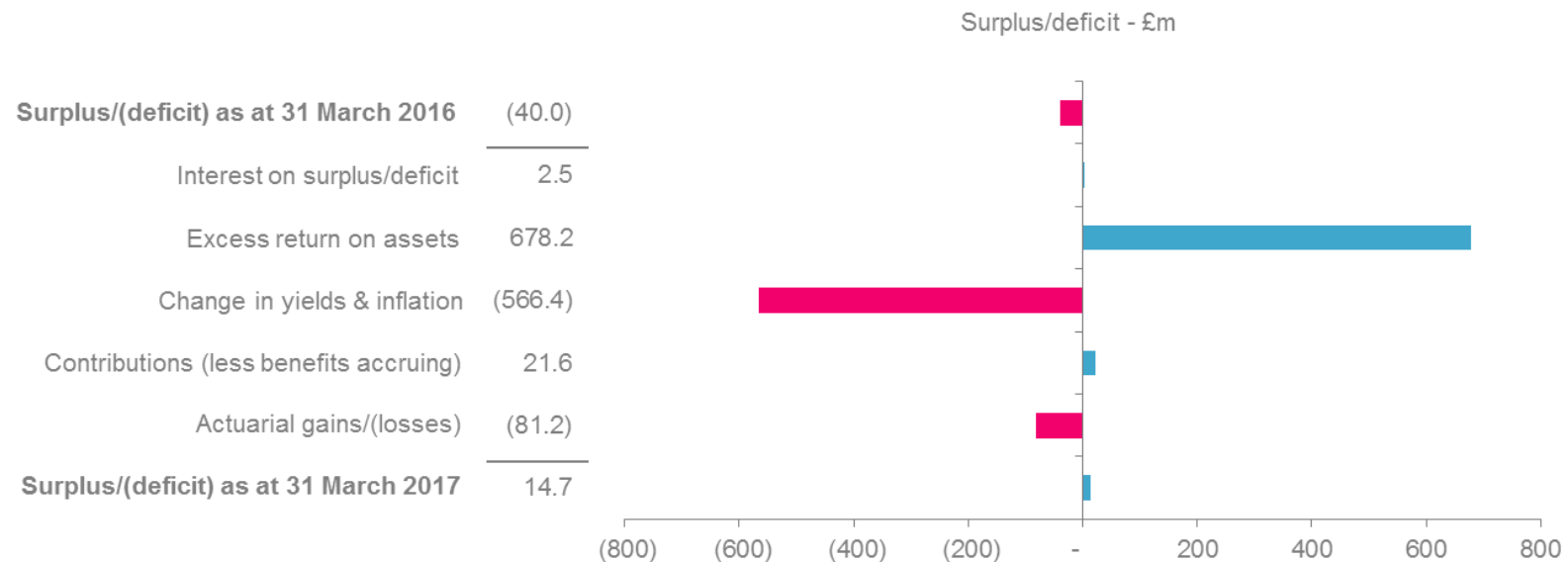
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What's happened since last valuation? – technical provisions basis

Assets	£m
Asset value as at 31 March 2016	2,928.0
Contributions paid in:	21.6
Benefit payments:	(101.7)
Expected return on liability-matching assets:	65.0
Excess return on assets:	678.2
Actuarial gains/(losses)	0.0
Asset value as at 31 March 2017	3,591.1

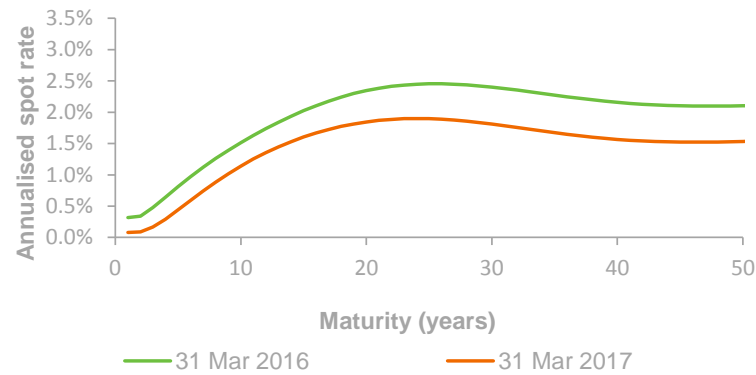
Liabilities	£m
Liability value as at 31 March 2016	2,968.0
Cost of benefits accruing:	(0.0)
Interest on liabilities:	62.5
Change in yields & inflation:	566.4
Benefit payments:	(101.7)
Actuarial gains/(losses)	81.2
Liability value as at 31 March 2017	3,576.4

Overall effect

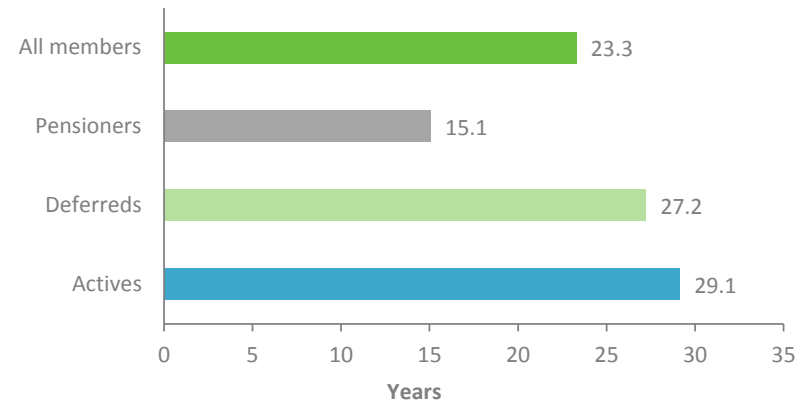


What in the market has caused your liabilities to change? – technical provisions basis

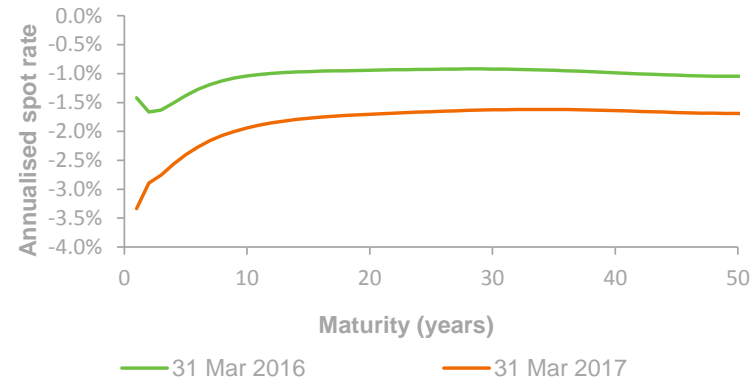
Nominal yields



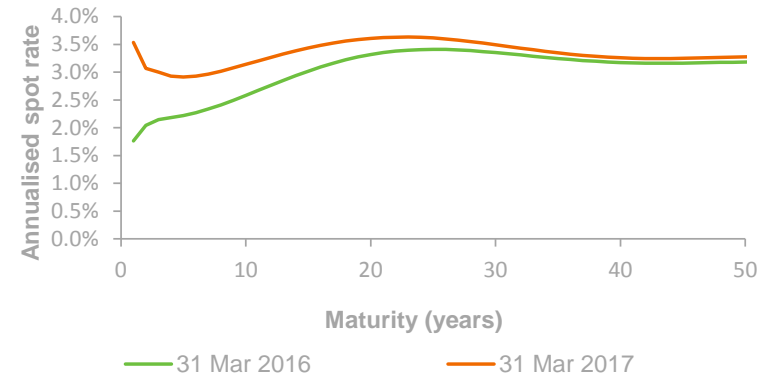
Average duration of liabilities



Real yields

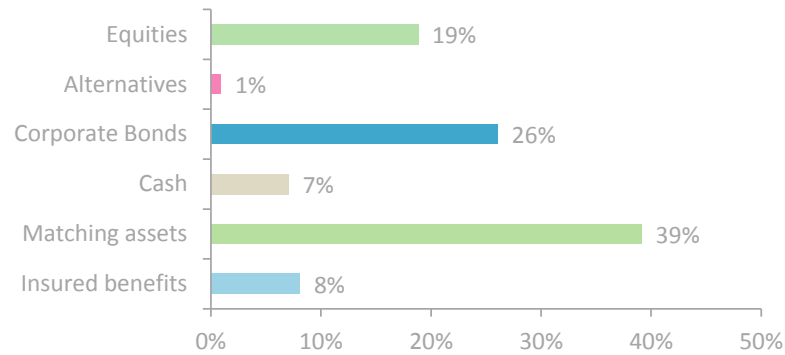


Implied inflation yields

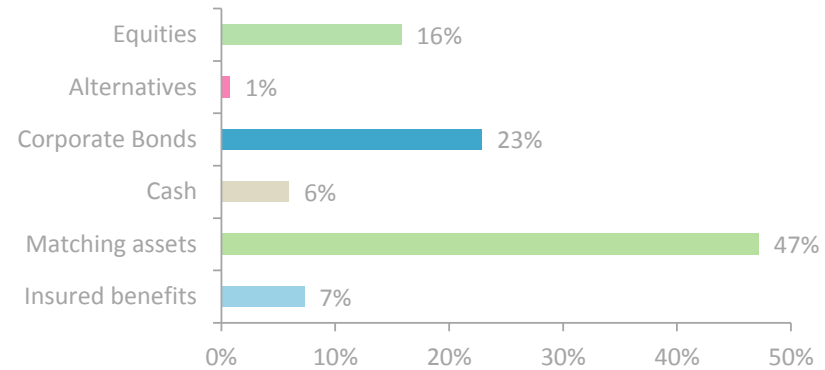


What caused your assets to change?

Allocation at valuation date



Allocation at 31 March 2017



Note: the SPV is included in 'Cash'. The multi-asset credit and absolute return bonds are included in 'Corporate Bonds'.

Sterling total returns of major asset classes



Sensitivity matrix – 2FO basis

		Better outcomes →						
Bond yields (% p.a.)	2.25	79.6% (744.7)	81.2% (685.0)	82.9% (625.3)	84.5% (565.6)	86.2% (505.9)	87.8% (446.2)	89.4% (386.5)
	2.05	80.1% (760.4)	81.7% (700.7)	83.2% (641.0)	84.8% (581.3)	86.4% (521.6)	87.9% (461.9)	89.5% (402.2)
	1.85	80.6% (778.1)	82.1% (718.4)	83.6% (658.7)	85.1% (599.0)	86.6% (539.3)	88.0% (479.6)	89.5% (419.9)
	1.65	81.0% (797.9)	82.5% (738.2)	83.9% (678.5)	85.3% (618.8)	86.7% (559.1)	88.1% (499.4)	89.6% (439.7)
	1.45	81.5% (820.2)	82.8% (760.5)	84.2% (700.8)	85.5% (641.1)	86.9% (581.4)	88.2% (521.7)	89.6% (462.0)
	1.25	81.8% (845.1)	83.1% (785.4)	84.4% (725.7)	85.7% (666.0)	87.0% (606.3)	88.2% (546.6)	89.5% (486.9)
	1.05	82.2% (873.0)	83.4% (813.3)	84.6% (753.6)	85.8% (693.9)	87.0% (634.2)	88.3% (574.5)	89.5% (514.8)
			5,126	5,858	6,591	7,323	8,055	8,788
		Equity level (using FTSE 100 Price Index as a proxy)						

85.3%	Funding level
(618.8)	Surplus/(deficit) – £m

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

Scope

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

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

Compliance with professional standards

The method and assumptions used to calculate the updated funding position are consistent with those used in the latest formal actuarial valuation, although the financial assumptions have been updated to reflect known changes in market conditions. As such, the advice in this report is consistent with that provided for the last valuation, as set out in the:

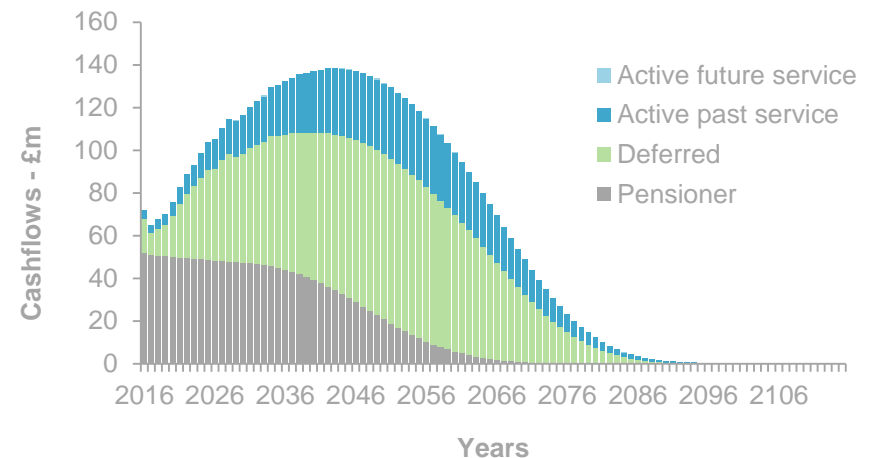
- Actuarial valuation report dated 29 July 2016
- Statement of funding principles dated 29 July 2016
- Recovery plan dated 29 July 2016
- Schedule of contributions dated 29 July 2016

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

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

How liabilities are calculated

- The future benefits that are payable from the Scheme ("cash-flows") were calculated on a specific set of assumptions at the last valuation date.
- These cash-flows (on the technical provisions basis as at 31 March 2016) are shown below.
- These cash-flows were recalculated as at 31 March 2017 using updated membership and financial data.
- The specific information used for this update is set out on the next page.
- Market information is used to produce discount rates at these dates.
- The estimated cash-flows are discounted to produce the estimated liability value at a specific date.



Membership data

My calculations are based on the membership data provided for the most recent actuarial valuation. [Details on the quality of this data and a data

summary can be found in the last formal actuarial valuation report.] We have also allowed for updated membership data provided to us at 31 March 2017. We have performed high level checks to ensure this data is broadly consistent with that used for the 2016 valuation but have not undertaken the same level of checks we would undertake at a formal actuarial valuation.

How assets are calculated

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

The update allows for:

- 1 Movements in the value of the assets as measured by index returns and asset values provided by Matt Fuller where available.
- 2 Movements in liabilities as a result of changes in yields and hence inflation and discount rate assumptions.
- 3 Estimated cash-flows (contributions and benefit payments).
- 4 Actual cash-flows to and from the Scheme supplied by Matt Fuller where available.
- 5 Demographic experience and changes to benefits as a result of data cleansing based on the change in membership data between 31 March 2016 and 31 March 2017.
- 6 Variations in liabilities arising from the changes in RPI since the valuation date differing relative to assumptions.

The update does not allow for:

- 1 Asset allocations differing from those assumed (other than when asset data is recalibrated based on available information).
- 2 The asset values as at the date of this report have not been based on audited Scheme accounts.
- 3 Benefit changes (I have not received details of any material benefit changes, bulk transfers or other financially significant events occurring over the period since the last actuarial valuation).

Limitations of this model

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

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

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

Indices used to update projected asset values

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

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

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

Market information used to update liability values

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

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

Note: Market yields displayed in the market indicators table are on a semi-annual basis.