

The Kingfisher logo is centered within a white circular graphic. It features the word "Kingfisher" in a sans-serif font, with a stylized fish icon in blue and red between the 'i' and 's'.

**KINGFISHER
PENSION SCHEME**

Report &
Financial
Statements

Year ended 31 March 2018

**Kingfisher Pension Scheme annual report
and financial statements**

Registered number 100797763

Year ended 31 March 2018

Kingfisher Pension Scheme

Year ended 31 March 2018

Contents

Trustee and advisers	1
Introduction by the Chair of Trustee	2
Trustee's Annual Report	3
Statement of Trustee's responsibilities for the Financial Statements	8
Independent auditor's report to the Trustee of the Kingfisher Pension Scheme	9
Fund Account	11
Statement of Net Assets (available for benefits)	12
Notes (forming part of the Financial Statements)	13
Independent auditor's statement about contributions to the Trustee of the Kingfisher Pension Scheme	29
Statement of Trustee's responsibilities in respect of Contributions	30
Actuary's Certification of Schedule of Contributions	31
Report on Actuarial Liabilities (forming part of the Trustee's report)	33
Compliance Statement	33
Kingfisher Pension Scheme - Money Purchase Section - Annual governance statement by the Chair of Trustee	36

Kingfisher Pension Scheme

Year ended 31 March 2018

Trustee and advisers

Participating Companies

Kingfisher plc
B&Q plc
B&Q (Retail Guernsey) Ltd
B&Q (Retail) Jersey Ltd
Screwfix Direct Ltd
Kingfisher Information Technology Service (UK) Ltd
Kingfisher International Products Limited (from 1 May 2017)

Trustee

Kingfisher Pension Trustee Limited

Board of Directors

BESTrustees plc (Chairman) represented by Clive Gilchrist*
Lee Aspin + (appointed 29 September 2017)
Sally Clifton#
Mark Fawcett#
Yolanda Jackson +(appointed 1 March 2018)
Helen Jones#
Elizabeth Messud# (appointed 14 December 2017)
Debbie Plumbly + (appointed 14 December 2017)
Kerrin Qualters + (retired 31 May 2018)
Paul Shearer#
David Lumsdon +

**independent #employer nominated +member nominated*

Secretary to the Trustee

Dermot Courtier

Actuary

Crawford Taylor FIA, 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 (until 31 December 2017)
Legal & General Assurance Society Limited (from 1 January 2018)

System Provider

Profund Solutions Limited

Solicitors

Mayer Brown International LLP
Eversheds LLP
Addleshaw Goddard LLP (appointed 6 March 2018)

Group Life

Unum

Investment Managers

Final Salary Section:

Aberdeen Asset Managers Limited
Aviva Investors Global Services Limited
BlackRock Global Renewable Fund II LLP
GAM Fund Management Limited
Hayfin Direct Lending GP Ltd
Insight Investment Management (Global) Ltd
Legal & General Investment Management (appointed 19 July 2018)
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:

Legal & General Assurance Society Limited

Annuity providers

Legal & General Assurance Society Limited
Pension Insurance Corporation (appointed 10 January 2018)

Custodian

State Street Bank & Trust Company

Investment Advisers

Aon Hewitt

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 2018

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 2018. The twelve months up to March 2018 saw a period of consolidation to the Kingfisher Pension Scheme from both a Final Salary (FS) and Money Purchase (MP) perspective.

FS Section

As the FS 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 part of the ongoing derisking programme the Scheme completed a second bulk annuity purchase in January 2018 with Pensions Insurance Corporation, providing greater security of benefits for all of the Scheme's final salary members.

The Scheme also met one of its dynamic derisking triggers and transferred £100m from return seeking assets to matching assets. We have also increased our hedged position to 88% of our inflation and interest rate risk.

The funding level of the secondary funding objective, as at 31 March 2017, was 85.4% (2016 82%), and the technical provisions funding level was 100.4% (2016 99%).

The employer is paying contributions of £37m per annum from April 2017, as per the Schedule of Contributions.

The investment performance of the final salary section of the Scheme during the year ended 31 March 2018 saw a positive return of 2.8%

MP Section

With regards to the MP section, following the publication of the revised TPR DC Code of Practice in July 2016 the Trustee undertook training in this area from both the Scheme Lawyer and a specialist Wealth Management Provider. Also, regular modelling of the performance of the default fund continues.

As MP members are aware, following a comprehensive benchmarking exercise by Group Pensions and the Trustee Directors of the DC Retirement & Investment Committee, and following discussion with Kingfisher Plc, the Trustee Board decided to appoint Legal & General Assurance Society Limited (LGIM) as their MP provider. The transition to this new provider occurred in the first quarter of 2018.

Full Scheme

During the year, the Trustee commenced a Member Nominated Trustee Directors (MND) process. From that process, four new Trustee Directors have been appointed: Lee Aspin, Screwfix Branch Manager; Elizabeth Messud, Kingfisher plc Legal Director; Debbie Plumbly, Reward Manager B&Q, and Yolanda Jackson, Corporate Auditor. I would like to welcome them to the Trustee Board, and look forward to working with them. On a personal basis, I would also like to thank Kerrin Qualters, who resigned as a member nominated Trustee Director, for his positive contribution as a Board member during his period of service.

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
29 June 2018**

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 Trustee holds 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 2018, as set out on pages 11 to 28 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 1. The Trustee Board consists of eleven Trustee Directors, known as Trustees, made up of five Employer appointed Directors, one independent Trustee Director and five 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

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

	FS	FS	MP	MP	Total	Total
	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Income	24,259	23,474	41,749	38,675	66,008	62,149
Payments	(158,149)	(108,331)	(11,037)	(6,990)	(169,186)	(115,321)
Net (withdrawals)/additions	(133,890)	(84,857)	30,712	31,685	(103,178)	(53,172)
Net returns on investments	97,729	742,133	6,556	38,867	104,285	781,000
Net (decrease)/increase in fund	(36,161)	657,276	37,268	70,552	1,107	727,828
Transfers between sections	-	130	-	(130)	-	-
Net assets at start of year	3,604,129	2,946,723	249,184	178,762	3,853,313	3,125,485
Net assets at end of year	3,567,968	3,604,129	286,452	249,184	3,854,420	3,853,313

Kingfisher Pension Scheme

Year ended 31 March 2018

Final Salary Section developments

During the year income into the Scheme remained at £24million (£24 million for the prior year). Payments were £158 million compared with £108 million for the prior year.

The net returns on investments comprised change in market value of investments of £ 52 million (prior year: £686 million) and investment income of £51 million (prior year: £59 million) offset by investment management expenses of £5 million (prior year: £3 million).

The net assets of the FS amounted to £3,568 million at 31 March 2018 (2017: £3,604 million).

Money Purchase Section developments

Income amounted to £42 million compared with £39 million for the prior year. Payments increased in 2018 to £11 million from £7 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 positive return of £7 million for the year compared to a return of £39million for the prior year.

The net assets of the MP amounted to £286 million at 31 March 2018 (2017: £249 million).

Actuarial Review

The Financial Statements set out on pages 11 to 28 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 2016. This valuation considered the funding position of the Final Salary Section and the level of contributions payable.

In accordance with the Statement of Funding Principles the Trustee and Kingfisher have agreed that the employers should pay contributions to the FS section of £37 million a year (less SPV income) with effect from 1 April 2017. This will be paid monthly to the FS section of the Scheme from April 2017, 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 29 July 2016.

The Schedule of Contributions 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. From the 2016 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. The Actuarial Certificate of the calculation of the technical provisions is on page 33.

Note: The Technical provisions funding level as at 31 March 2016 was 99% (2013: 99%). The estimate of the solvency position of the Scheme as at 31 March 2016 is that the assets of the Scheme would have met 68% of the cost of buying insurance policies to secure the benefits at that date.

As noted in the Chairman's introduction on page 2 an Annual update as at 31 March 2017 was also completed in the year.

Kingfisher Pension Scheme

Year ended 31 March 2018

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	Active	Deferred	Total
At 1 April 2017	19,192	15,365	34,557	25,074	16,614	41,688
Opening balance adjustment	-	-	-			
New	3	1,124	1,127	5,577	4,859	10,436
Deaths	(39)	(567)	(606)	(20)	(17)	(37)
Retirements	(932)	-	(932)	(7)	(6)	(13)
Adjustment due to the transition of MP provider	-	-	-	(620)	876	256
Leavers	(231)	(343)	(574)	(5,497)	(735)	(6,232)
At 31 March 2018	17,993	15,579	33,572	24,507	21,591	46,098

*included in the pensioner numbers are 672 (2017:176) which are secured by an annuity contract.

The number of life insurance only members at the year-end is 12,998, (2017: 13,372)

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

Final Salary Section 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 (%)
2018	4.1	4.1
2017	2.5	2.5
2016	1.2	1.2

Both Jersey and Guernsey have their own Retail Prices Index (3.6% and 2.4%) respectively at December 2017 and increases for Channel Islands pensioners are calculated in accordance with these.

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 2018

Custody

Custodian services are provided by State Street Bank and Trust Company Limited. Although the Trustee 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.

Investment managers have been asked to exercise voting rights where relevant, referring back to the Group Pensions Department only those issues which they feel are contentious and warrant further discussion before taking action.

The Trustee has delegated day to day investment decisions to its appointed investment managers (within certain guidelines and restrictions).

The Trustee believes that all companies should be run in a socially responsible way as in the long run this should contribute to the success of those companies, but equally recognises its fiduciary responsibility to act in the best financial interests of the Scheme's members. Therefore, the Trustee's policy is that the investment managers should take account of social, environmental and ethical considerations to the extent that they may have a financial impact on investment performance. With this in mind, the Trustee Board also encourages managers to pursue policies of engagement with their investee companies.

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 2016 valuation the employer contribution, effective from 1 April 2017 was agreed at £37m + 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 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 2016 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;

Matching assets constituted over 80% of Scheme assets at March 2018 and will constitute 100% of Scheme Assets by March 2030. The Scheme is targeting hedging of the interest rate (88%) and inflation (88%) risks through its liability hedging portfolio. The Company and the Trustee will agree circumstances under which this de-risking plan could be accelerated.

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.

Kingfisher Pension Scheme

Year ended 31 March 2018

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.

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 2018 was 2.8%, compared to the Scheme specific benchmark of 2.5%.

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 10.3% and 11.9% compared to the benchmark of 9.7% and 11.6% respectively.

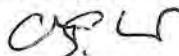
Money Purchase Section – Objectives and performance

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 year to 31 March 2018 the return of the default strategy was 5.1% compared to CPI +3% which returned 5.4%. Over the three-year period to 31 March 2018, the annualised return was 6.8% per annum compared to CPI + 3% which returned 4.7% per annum.

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 8 and the Compliance Statement on pages 34-35, were approved by the board and signed on its behalf by:



BESTrustees plc,
Represented by Clive Gilchrist, Chairman

29 June 2018

Statement of Trustee's responsibilities for the Financial Statements

The financial statements, which are prepared in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- 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 its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- contain the information specified in Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the scheme in the form of an annual report. The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is responsible for the maintenance and integrity of the financial information of the Scheme included on the 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

Opinion

We have audited the financial statements of The Kingfisher Pension Scheme (the 'scheme') for the year ended 31 March 2018 which comprise the fund account, the statement of net assets (available for benefits) and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 2018 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 Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the 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 Trustee 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 Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Kingfisher Pension Scheme

Year ended 31 March 2018

Other information

The Trustee is responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Trustee for the financial statements

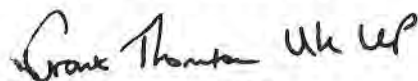
As explained more fully in the Trustee's responsibilities statement set out on page 8, the Trustee is responsible for the preparation of financial statements which show a true and fair view, and for such internal control as the Trustee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the pension scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intend to liquidate the scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
29 June 2018

Kingfisher Pension Scheme

Year ended 31 March 2018

Fund account

for the year ended 31 March 2018					
	Notes	FS	MP	Total	Total
		2018	2018	2018	2017
		£'000	£'000	£'000	£'000
Contributions and benefits					
Employer Contributions	2	22,826	37,986	60,812	56,943
Employee contributions	2	-	2,817	2,817	2,512
Individual transfers in		-	946	946	992
Other income	3	1,433	-	1,433	1,702
		24,259	41,749	66,008	62,149
Benefits paid/payable	4	(73,325)	(4,607)	(77,932)	(73,184)
Payments to and on account of leavers	6	(79,002)	(6,406)	(85,408)	(36,431)
Other payments	5	(1,796)	-	(1,796)	(1,813)
Administrative expenses	7	(4,026)	(24)	(4,050)	(3,893)
		(158,149)	(11,037)	(169,186)	(115,321)
Net (withdrawals)/additions from dealings with members		(133,890)	30,712	(103,178)	(53,172)
Returns on investments					
Investment income	8	50,975	2	50,977	59,111
Change in market value of investments	16	52,246	6,554	58,800	725,129
Investment management expenses	9	(5,492)	-	(5,492)	(3,204)
Taxation	10	-	-	-	(36)
Net returns on investments		97,729	6,556	104,285	781,000
Net (decrease)/increase in the fund during the year		(36,161)	37,268	1,107	727,828
Net assets of the Scheme at 1 April		3,604,129	249,184	3,853,313	3,125,485
Net assets of the Scheme at 31 March		3,567,968	286,452	3,854,420	3,853,313

The notes on pages 13 to 28 form part of these Financial Statements.

Kingfisher Pension Scheme

Year ended 31 March 2018

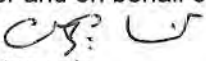
Statement of Net Assets (available for benefits)

At 31 March 2018			
	Notes	2018	2017
		£'000	£'000
Final Salary Section			
Investment assets:	16		
Bonds		2,879,895	3,107,372
Pooled investment vehicles	11	1,342,519	1,443,287
Derivatives	12	863,131	907,001
Special Purpose Vehicle	13	187,984	194,703
Insurance Policies	14	475,229	262,026
AVC investments	15	13,488	14,915
Cash & cash equivalents		13,631	52,771
Other investment balances	18	9,041	59,488
		5,784,918	6,041,563
Investment liabilities:			
Derivatives	12	(944,083)	(999,334)
Other investment balances	18	(1,288,707)	(1,454,179)
Total net investments		3,552,128	3,588,050
Current assets	21	17,493	18,861
Current liabilities	22	(1,653)	(2,782)
Total net assets of FS		3,567,968	3,604,129
Money Purchase Section			
Investment assets:	16		
Pooled investment vehicles	11	285,363	248,876
Current assets	21	1,336	330
Current liabilities	22	(247)	(22)
Total net assets of MP		286,452	249,184
Total net assets of the Scheme at 31 March		3,854,420	3,853,313

The notes on pages 13 to 28 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 Final salary section, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities included on page 33 and the Actuarial review on page 4 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 29 June 2018.


 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 was permitted. The Trustee chose to early adopt the amendments in previous years, so no changes were required this year.

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 prior 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'.
 - 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 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 the Financial Statements at the amount of the related obligation, determined using the most recent Scheme

Kingfisher Pension Scheme

Year ended 31 March 2018

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-dividend.
- 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

Employee normal and AVC contributions are accounted for when deducted from pay, apart from 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, deficit funding and PPF levy contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions.

Employer augmentation contributions are accounted for in accordance with the agreement under which they are being paid.

e) Payments to members

- i. 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. Pensions in payment are accounted for in the period to which they relate.
- ii. Opt outs are accounted for when the Scheme is notified of the opt out.
- iii. 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 and investment management. Money purchase annual management charges are deducted directly from the members' retirement accounts.

Kingfisher Pension Scheme

Year ended 31 March 2018

2. Contributions receivable

	FS	2018 MP	Total
	£'000	£'000	£'000
Employer:			
Normal	-	37,986	37,986
Deficit Funding	22,656	-	22,656
PPF Levy	170	-	170
	22,826	37,986	60,812
Employees:			
Normal	-	2,766	2,766
Additional Voluntary Contributions	-	51	51
	22,826	40,803	63,629

	FS	2017 MP	Total
	£'000	£'000	£'000
Employer:			
Normal	-	35,115	35,115
Deficit funding	21,581	-	21,581
PPF Levy	191	-	191
Augmentation	-	56	56
	21,772	35,171	56,943
Employees:			
Normal	-	2,445	2,445
Additional Voluntary Contributions	-	67	67
	21,772	37,683	59,455

The employers are required to pay deficit funding contributions to the FS sections of £37 m (less SPV investment income) per annum under the Schedule of Contributions dated 29 July 2016 for the period 1 August 2016 to 31 July 2021. Employer normal contributions include contributions in respect of salary sacrifice arrangements made available to certain members by the employer.

3. Other Income

	2018	2017
	£'000	£'000
Final Salary Section		
Claims on term insurance	1,433	1,702

Kingfisher Pension Scheme

Year ended 31 March 2018

4. Benefits paid/payable

	FS	2018 MP	Total
	£'000	£'000	£'000
Pensions	54,555	-	54,555
Commutations of pensions and lump sum retirement benefits	17,142	4,174	21,316
Lump sum death benefits	1,628	253	1,881
Purchase of annuities	-	180	180
	73,325	4,607	77,932

	FS	2017 MP	Total
	£'000	£'000	£'000
Pensions	52,043	-	52,043
Commutations of pensions and lump sum retirement benefits	15,043	3,923	18,966
Lump sum death benefits	1,869	254	2,123
Purchase of annuities	-	52	52
	68,955	4,229	73,184

5. Other payments

	2018	2017
	£'000	£'000
Final Salary Section		
Premiums on term insurance paid to the insurer	1,796	1,813

6. Payments to and on account of leavers

	FS	2018 MP	Total
	£'000	£'000	£'000
Individual transfers to other Schemes	79,007	6,393	85,400
Refunds to members leaving service	-	13	13
CEP	(5)	-	(5)
	79,002	6,406	85,408

	FS	2017 MP	Total
	£'000	£'000	£'000
Individual transfers to other Schemes	33,629	2,735	36,364
Refunds to members leaving service	41	26	67
	33,670	2,761	36,431

Kingfisher Pension Scheme

Year ended 31 March 2018

7. Administration expenses

	2018 FS	2018 MP	2018 TOTAL	2017
Final Salary Section	£'000	£'000	£'000	£'000
Administration and processing	3,265	24	3,289	2,947
Actuarial fees	241	-	241	265
Audit	62	-	62	55
Legal and professional fees	223	-	223	242
Trustee fees	108	-	108	93
PPF Levy	127	-	127	291
	4,026	24	4,050	3,893

8. Investment income

	FS	MP	TOTAL 2018	TOTAL 2017
	£'000	£'000	£'000	£'000
Income from Bonds	32,970	-	32,970	35,254
Dividends from equities	2	-	2	838
Income from pooled investment vehicles	3,967	-	3,967	2,683
Income from SPV	14,344	-	14,344	14,169
Annuity income	8,996	-	8,996	8,246
Interest on cash deposits and repos	(5,982)	2	(5,980)	(8,914)
Income from derivatives	(3,442)	-	(3,442)	6,432
Other	120	-	120	403
Total	50,975	2	50,977	59,111

Investment income 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 £6m (2017: £9m) of interest payments payable under repurchase agreements.

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 £105,699 (2017: £365,277).

9. Investment Management Expenses

	2018	2017
Final Salary Section	£'000	£'000
Administration, management and custody	5,339	3,050
Performance measurement services	84	77
Other advisory fees	69	77
	5,492	3,204

Kingfisher Pension Scheme

Year ended 31 March 2018

Investment manager expenses include fee rebates. 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:

	2018	2017
	£'000	£'000
Bond funds	897,025	882,337
Equity funds	227,494	347,989
Property and Farmland	24,744	28,344
Alternative asset funds	193,256	184,617
	1,342,519	1,443,287

Money Purchase Section

The Money Purchase Section holdings of PIVs are analysed below:

	2018	2017
	£'000	£'000
Equity funds	17,380	122,152
Bond funds	2,668	2,876
Cash funds	-	11,827
Diversified Growth funds	265,148	111,941
Property funds	167	80
	285,363	248,876

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 Statement of Net Assets 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.

Kingfisher Pension Scheme

Year ended 31 March 2018

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

Total derivatives	2018		2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Swaps	862,917	(944,083)	906,768	(999,334)
Futures	214	-	233	-
	863,131	(944,083)	907,001	(999,334)

(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	2018			
		Notional principal £'000s	Maturity	Asset £'000s	Liability £'000s
UK - Interest rate swap	40	979,017	0-5 Years	24,212	(67,783)
	21	461,691	5-10 Years	19,318	(14,754)
	64	1,138,834	10-20 Years	230,412	(206,658)
	71	1,596,329	20-30 Years	229,182	(250,513)
	51	874,495	30-40 Years	151,610	(171,327)
	32	304,053	40-50 Years	25,014	(94,969)
UK - RPI	17	669,674	0-5 Years	5,210	(3,214)
	16	219,099	5-10 Years	1,075	(13,151)
	38	867,189	10-20 Years	34,568	(30,019)
	53	473,657	20-30 Years	43,126	(28,848)
	44	354,948	30-40 Years	49,237	(54,101)
	21	114,052	40-50 Years	49,953	(8,746)
				862,917	(944,083)

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

	£m		£m
Barclays Bank	(82.6)	Lloyds Bank PLC	21.7
BNP Paribas	1.6	Merrill Lynch International	(16.3)
Citigroup	6.2	Morgan Stanley & Co International	(21.5)
Credit Suisse International	(3.9)	The Royal Bank of Scotland PLC	0.2
Goldman Sachs International	13.3	UBS AG	(5.4)
HSBC Bank PLC	5.6		

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

Kingfisher Pension Scheme

Year ended 31 March 2018

(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	12,036,360	June 2018	214	-
Total 2018	12,036,360		214	-
Total 2017	11,992,500		233	-

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 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 bulk buy-in insurance policies at the year-end as follows:

	2018	2017
Final Salary Section	£'000	£'000
Legal & General Assurance Society Limited	257,394	262,026
Pensions Insurance Corporation	217,835	-
	475,229	262,026

In addition to the above, the Trustee holds 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)

Final salary AVCs	2018	2017
	£'000	£'000
Prudential	11,153	12,334
Legal & General	1,149	1,352
BlackRock	1,138	1,168
Phoenix Life	48	61
	13,488	14,915

Kingfisher Pension Scheme

Year ended 31 March 2018

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.

16. Investment reconciliation

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

	Value at 1 April 2017	Purchases at cost & derivative payments	Sales proceeds & derivative receipts	Change in market value	Value at 31 March 2018
Final Salary Section	£'000	£'000	£'000	£'000	£'000
Bonds	3,107,372	487,121	(721,599)	7,001	2,879,895
Equities	-	1	(1)	-	-
Pooled investment vehicles	1,443,287	307,369	(442,437)	34,300	1,342,519
Derivatives	(92,333)	4,672	(5,691)	12,400	(80,952)
Special Purpose Vehicle	194,703	-	-	(6,719)	187,984
Insurance Policies	262,026	209,021	-	4,182	475,229
AVC Investments	14,915	-	(2,872)	1,445	13,488
	4,929,970	1,008,184	(1,172,600)	52,609	4,818,163
Cash deposits	52,771			(360)	13,631
Other investment balances	(1,394,691)			(3)	(1,279,666)
Net investment assets	3,588,050			52,246	3,552,128

Money Purchase Section

Pooled Investment Vehicles	248,876	336,918	(306,985)	6,554	285,363*
----------------------------	---------	---------	-----------	-------	-----------------

*The assets are allocated to members of the Scheme.

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.

Other investment balances include £1,288m of repurchase agreements.

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	2018 Total	2017 Total
	£'000	£'000	£'000	£'000	£'000
Equities	-	-	-	-	86
Bonds and derivatives	-	1	-	1	1
	-	1	-	1	87

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.

Kingfisher Pension Scheme

Year ended 31 March 2018

18. Repurchase and reverse repurchase agreements

At the year end, within other investment assets and liabilities, amounts payable under repurchase agreements amounted to £1,288m (2017: £1,425m). At the year-end £1,322m (2017: £1,452m) of bonds reported in Scheme assets are held by counterparties under repurchase agreements.

The counterparties to the repurchase agreements are detailed below. At the year-end, the value of collateral posted from counterparties was:

	£m		£m
Barclays Bank	2.8	Mizuho International	1.7
Canadian Imperial Bank of Commerce	0.0	Scotiabank	3.7
Insight Government Liquidity Fund	1.5	Societe Generale	3.5
Goldman Sachs International	3.8	Toronto Dominion	0.9
Lloyds Bank PLC	7.7		

19. Investment Fair Value Hierarchy

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 2018	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Final Salary Section				
Bonds	2,879,895	-	-	2,879,895
Pooled investment vehicles	-	1,162,570	179,949	1,342,519
Derivatives	214	-	(81,166)	(80,952)
Special Purpose Vehicle	-	-	187,984	187,984
Insurance Policies	-	-	475,229	475,229
AVC investments	-	2,287	11,201	13,488
Cash deposits	13,631	-	-	13,631
Other investment balances	7,897	(1,287,563)	-	(1,279,666)
	2,901,637	(122,706)	773,197	3,552,128
Money Purchase Section				
Pooled investment vehicles	-	285,363	-	285,363

Kingfisher Pension Scheme

Year ended 31 March 2018

At 31 March 2017	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Final Salary Section				
Equities	-	-	-	-
Bonds	3,107,372	-	-	3,107,372
Pooled investment vehicles	-	1,267,568	175,719	1,443,287
Derivatives	233	-	(92,566)	(92,333)
Special Purpose Vehicle	-	-	194,703	194,703
Insurance Policies	-	-	262,026	262,026
AVC investments	-	2,521	12,394	14,915
Cash deposits	52,771	-	-	52,771
Other investment balances	30,780	(1,425,471)	-	(1,394,691)
	3,191,156	(155,382)	552,276	3,588,050
Money Purchase Section				
Pooled investment vehicles	-	248,876	-	248,876

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.

The risk disclosures below do not cover AVCs as they are deemed to be immaterial.

The insurance policies (note 14) exactly match the liabilities that they cover and the Financial Services Compensation Scheme stand behind authorised insurance companies to provide additional protection. The insurance policies do not therefore feature in the risk disclosures.

Kingfisher Pension Scheme

Year ended 31 March 2018

Concentration risk

Excluding gilts, the Scheme's final salary investments that constitute more than 5% of total net assets of the Scheme are as follows: PIMCO Diversified Income Fund - 8% (2017: 7%), Insight Bond Plus Fund - 7% (2017: 7%), GAM Star Absolute Return Bond Plus Fund 7% (2017: 7%), L&G insurance policy - 7% (2017: 7%), Pensions Insurance Corporation insurance policy - 7% (2017: 0%) – see note 14.

Final Salary Section

(i) Credit risk

The FS Section is subject to credit risk as the Scheme invests directly 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 2018				
	Investment grade	Non-investment grade	Unrated	Total
	£'000	£'000	£'000	£'000
Bonds	2,879,895	-	-	2,879,895
Special Purpose Vehicle	-	-	187,984	187,984
OTC Derivatives	(80,952)	-	-	(80,952)
Cash deposits	13,631	-	-	13,631
Repos	(1,287,563)	-	-	(1,287,563)
PIVs	-	-	1,342,519	1,342,519
	1,525,011	-	1,530,503	3,055,514

At 31 March 2017				
	Investment grade	Non-investment grade	Unrated	Total
	£'000	£'000	£'000	£'000
Bonds	3,107,372	-	-	3,107,372
Special Purpose Vehicle	-	-	194,703	194,703
OTC Derivatives	(92,333)	-	-	(92,333)
Cash deposits	52,771	-	-	52,771
Repos	(1,425,471)	-	-	(1,425,471)
PIVs	-	-	1,443,287	1,443,287
	1,642,339	-	1,637,990	3,280,329

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 and the prior 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

Kingfisher Pension Scheme

Year ended 31 March 2018

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 £182million of bonds (2017: £143million). 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 (see note 18).

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 several 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:

	2018	2017
	£'000	£'000
Unit linked insurance contracts	174,241	294,677
Open ended investment companies	989,367	974,821
Limited liability companies	178,911	173,789
	1,342,519	1,443,287

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.

(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:

	2018	2017
	£'000	£'000
Currency		
US Dollar	98,672	21,811
Euro	24,703	8,295
Japanese Yen	5,942	4,461
Other	74,405	138,538

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. The

Kingfisher Pension Scheme

Year ended 31 March 2018

Scheme has hedged 88% of interest and inflation rate risk. At the year end the Scheme exposures comprised:

	2018	2017
	£'000	£'000
Direct		
Bonds	2,879,895	3,107,372
Swaps	(81,166)	(92,333)
Indirect		
Bond PIVs	897,025	882,337
Alternative asset PIVs	193,256	184,617
Special Purpose Vehicle	187,984	194,703

(iv) Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes 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:

	2018	2017
	£'000	£'000
Indirect		
Equity PIVs	227,494	347,989
Property & Farmland	24,744	28,344
Special Purpose Vehicle	187,984	194,703
Other alternative asset PIVs	193,256	184,617

Money Purchase Section

(i) Direct credit risk

Legal and General invest all the Scheme's funds in fund manager unit linked funds which are party to reinsurance arrangements. In the event of default by Legal and General, the Scheme is protected by the Financial Services Compensation Scheme.

Kingfisher Pension Scheme

Year ended 31 March 2018

(ii) Indirect credit and market risks

The MP section was 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:

2018 and 2017

	Credit risk	Foreign exchange risk	Interest rate risk	Other price risk
Lifestyle Fund*	✓	✓	✓	✓
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 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.

*Fund made available in 2018 as part of the KPS-MP platform transition.

21. Current Assets

	2018		
	FS	MP	Total
	£'000	£'000	£'000
Cash Balances	16,667	1,176	17,843
VAT recoverable	151	-	151
Other debtors	675	160	835
	17,493	1,336	18,829
	2017		
	FS	MP	Total
	£'000	£'000	£'000
Cash Balances	17,971	195	18,166
Vat recoverable	259	-	259
Other debtors	631	135	766
	18,861	330	19,191

Kingfisher Pension Scheme

Year ended 31 March 2018

22. Current Liabilities

	2018		
	FS	MP	Total
	£'000	£'000	£'000
Expense accruals	1,205	-	1,205
Unpaid Benefits	301	247	548
Expenses due to Kingfisher plc	146	-	146
Tax payable	1	-	1
	1,653	247	1,900

	2017		
	FS	MP	Total
	£'000	£'000	£'000
Expense accruals	1,139	-	1,139
Unpaid Benefits	1,507	7	1,514
Expenses due to Kingfisher plc	135	-	135
Tax payable	1	15	16
	2,782	22	2,804

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

	2018	2017
	£'000	£'000
BESTrustees plc	57	48
Mark Fawcett	27	27
Helen Jones	9	11
Kerrin Qualters	6	6
Sally Clifton	9	-
	108	92

24. 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 plc through pooled funds is less than 0.1% of total Scheme assets.

Kingfisher Pension Scheme

Year ended 31 March 2018

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 (the 'scheme') for the scheme year ended 31 March 2018 which is set out in the Trustee's report on page 30.

In our opinion, contributions for the scheme year ended 31 March 2018 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 schedules of contributions certified by the scheme actuary on 29 July 2016.

Who we are reporting to

This statement is made solely to the Trustee, 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 Trustee 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 Trustee as a body, for our work, for this statement, or for the opinions we have formed.


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.

Respective responsibilities of Trustee and the auditor

As explained more fully in the statement of Trustee's responsibilities set out on page 8 the scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions 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.



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

29 June 2018

Kingfisher Pension Scheme

Year ended 31 March 2018

Statement of Trustee's Responsibilities in respect of Contributions

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time revising 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 Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Trustee's Summary of Contributions payable under the Schedules in respect of the Scheme year ended 31 March 2018

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 Schedules of Contributions certified by the actuary on 29 July 2016 in respect of the Scheme year ended 31 March 2018. The Scheme Auditor reports on contributions payable under the Schedule in the Auditor's Statement about Contributions.

Contributions payable under the Schedules in respect of the Scheme year		£'000s
Employer		
Normal contributions		37,986
Deficit contributions		22,656
Other contributions PPF levy		170
Employee		
Normal contributions		2,766
Contributions payable under the Schedules (as reported on by the Scheme Auditor)		63,578

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

		£'000s
Contributions payable under the Schedules (as above)		63,578
Contributions payable in addition to those due under the Schedules (and not reported on by the Scheme Auditor):		
Employee additional voluntary contributions		51
Total contributions reported in the Financial Statements		63,629

Signed on behalf of the Trustee of the Kingfisher Pension Scheme on 29 June 2018



BESTrustees plc,
represented by Clive Gilchrist, Chairman

29 June 2018

Kingfisher Pension Scheme

Year ended 31 March 2018

Actuary's Certification of Schedule of Contributions

Adequacy of rates of contributions

In my opinion, the contributions shown in this schedule are such that the statutory funding objective can be expected to be met by the end of the period specified in the recovery plan dated July 2016.

Consistency with Statement of Funding Principles

In my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated July 2016.

Please note that the adequacy of contributions statement in this certificate relates to the Scheme's statutory funding objective. For the avoidance of doubt this certificate does not mean that the contributions shown in this schedule would be enough to secure the Scheme's full liabilities with annuities if the Scheme were to wind up.

Signature



Crawford Taylor
Fellow of the Institute of Actuaries

Hymans Robertson
20 Waterloo Street
Glasgow
G2 6DB
Scotland

21 July 2016

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 2016 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 July 2016.

Signature



Crawford Taylor

Fellow of the Institute of Actuaries

21 July 2016

Hymans Robertson

20 Waterloo Street
Glasgow
G2 6DB
Scotland

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 base on pensionable service to the valuation date. This is assessed at least every 3 years 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 Crawford Taylor as at 31 March 2016. This showed that on that date the value of the technical provisions was: £2,968 million. The value of the assets at that date was: £2,931 million. The technical provisions funding level was therefore 99%.

An estimate of the Scheme's financial position was carried out at 31 March 2017. This showed that on that date the value of the Technical Provisions was: £3,576 million. The value of the assets at that date was: £3,591 million. The technical provisions funding level was therefore 100%.

The value of the technical provisions is based on assumptions about several factors that will influence the Scheme in future, such as the levels of investment return, when members will retire and how long members will live. The method and significant actuarial assumptions used to determine the technical provisions were set by the Trustee after taking advice from Crawford Taylor 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 market implied fixed interest gilt yield curve plus 3% p.a.

Post-retirement: The post-retirement discount rate is market implied fixed interest gilt yield curve.

Inflation: The market implied inflation yield curve.

Pension increases: The Scheme Rules include provision for increases in line with RPI price inflation up to a maximum of 5% and a minimum of 0% each year, to pensions in excess of GMP. For the actuarial valuation as at 31 March 2016 these increases are assumed to follow the assumed rate of price inflation adjusted to allow for the cap and floor.

Mortality: **Base tables**

The mortality base tables are a suite of bespoke assumptions which reflect the characteristics of the Scheme's membership. They make allowance for observed variations in mortality according to age, gender reason for retirement (illness or normal health), pension amount, salary, postcode based lifestyle group. The assumptions adopted vary according to the characteristics of each individual member.

Future improvements

Future improvements in longevity will be assumed to be in line with the CMI 2013 model calibrated to Club VITA experience with a long-term rate of improvement of 1.5% p.a. for both males and females, assuming "peaked" short term improvements.

Signature



Crawford Taylor

Fellow of the Institute of Actuaries

Hymans Robertson

20 Waterloo Street
Glasgow
G2 6DB
Scotland

Kingfisher Pension Scheme

Year ended 31 March 2018

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.

Transfer Values

All transfer values paid during the year were calculated as cash equivalents (within the meaning of Chapter IV Part IV of the Pension Schemes Act 1993) and verified in the manner prescribed under Section 97 of the Act. No allowance for discretionary benefits was made in the calculation of cash equivalents.

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.

Pensions Ombudsman

If the problem remains unresolved, members then have the facility to refer the matter to The Pensions Ombudsman who can be contacted at:

10 South Colonnade

Canary Wharf

E14 4PU

Email: enquiries@pensions-ombudsman.org.uk

Website: www.pensions-ombudsman.org.uk

If you have general requests for information or guidance concerning your pension arrangements contact:

The Pensions Advisory Service (TPAS)

11 Belgrave Road

London

SW1V 1RB

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)

Kingfisher Pension Scheme

Year ended 31 March 2018

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.

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

(Prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996)

Introduction

I am pleased to present the Trustee's statement of governance, describing how the Trustee have governed the Scheme's Money Purchase (MP) section. In doing so, we provide the various statutory disclosures required by the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

This statement covers the following areas:

- The investment strategy relating to the Scheme's default investment arrangement;
- Processing of core financial transactions;
- Charges and transaction costs within the Scheme;
- Trustee knowledge and understanding; and,
- Information regarding MP governance and the Trustee' assessment of the Scheme against the MP Code of Practice.

1.The default investment 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 2018, 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 Schemes are invested in appropriate Schemes 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.

Kingfisher Pension Scheme

Year ended 31 March 2018

The Scheme's DC Investment and Retirement Committee review the investment objectives and the performance of the default strategy on a quarterly basis and take external advice as and when required, and new funds are added, or funds are changed, as and when it is felt to be appropriate.

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.

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 (0.35%) is well under the legal charge cap of 0.75%. The annual management charges for all funds are published in the member guide, and the Scheme factsheets.
- Efforts are continually made to reduce charges and costs whenever possible.

Transaction costs

Transaction costs may apply in addition to the charges referred to above. These are costs incurred as a result of buying and selling investments. Members are not directly charged for buying and selling units in the funds, as they are 'swinging single' priced funds. The net asset value of a fund is valued at the mid-market price of the fund's underlying securities. Under a swinging single price regime, when the fund experiences net redemptions or net subscriptions the price may swing down or up to negate the impact of the expected transaction costs.

The transaction costs of the KPS Money Purchase Section Funds are:

Fund	Platform administration charge	Investment Fund charge	Implicit transaction Costs	Explicit transaction costs	Total within the fund transaction costs
Passive Equity fund	0.21%	0.15%	0.14%	0.02%	0.15%
Diversified Return Fund	0.21%	0.13%	-0.02%	0.01%	-0.01%
Money Market Fund	0.21%	0.11%	0.0%	0.0%	0.0%
Pre-Retirement Fund	0.21%	0.09%	-0.03%	0.0%	-0.03%
Pre-Retirement Inflation Linked Fund	0.21%	0.09%	-0.03%	0.0%	-0.03%
Property Fund	0.21%	0.91%	0.19%	0.46%	0.65%
Shariah Fund	0.21%	0.35%	0.0%	0.12%	0.12%

The transaction costs for the active equity fund, the emerging markets fund and the Ethical fund are not currently available because the platform provider is awaiting details from external fund managers.

The total transaction cost figure includes explicit costs of transaction taxes and broker commissions, and the implicit costs of market spread and market impact after any anti-dilution offsets for the year ending 31 December 2017. Anti-dilution offset costs are included within the implicit costs.

Implicit transaction costs have been calculated as the difference between the price at which a deal was struck and the price of the instrument at previous market close. This is consistent with the implicit cost calculation methods allowable prior to 2018 under PRIIPS guidance, which allows firms to assume there is no intra-day data available. Indirect transaction costs have been calculated assuming a static fund structure as at 30 September 2017.

The Trustees considered the impact of transaction costs as part of the platform change from Zurich to Legal and General. The Trustees sought to ensure the transfer of member accounts was performed in the most efficient way possible, eliminating transaction costs and mitigating the potential out of market exposure.

Kingfisher Pension Scheme

Year ended 31 March 2018

Good value for members

The Trustee has assessed the extent to which the charges and transaction costs set out above represent good value for members and has concluded that the Scheme offers good value for money relative to peers including other pension schemes of a similar size and nature (using data from the Pensions Regulator and other public surveys) and relative to options available to the Trustee with alternative investment managers and providers.

The Trustee included consideration of the following in reaching this conclusion:

- Total expense ratios
- Transaction costs
- Net of cost investment performance for members
- Investment risk measures
- The type and quality of administration service received by members
- Governance arrangements including investment and charges monitoring activity
- The design and range of investment options available to members
- Investment manager ratings where relevant
- Additional services available to members, including retirement support, services, communications and member tools.

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 use passive Schemes 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.

In January 2018, the Trustee changed the Money Purchase Section provider from Zurich to Legal and General. The decision was reached following a comprehensive review and took into account a wide variety of factors including:

- Administration
- Investment Governance
- Value for members
- Communication and reporting

The Trustee believes the change will offer better value for members moving forward and resulted in a reduction in the default strategy total expense ratio of over 25%.

Based on our assessment we have concluded that the Scheme represents good value for members.

Kingfisher Pension Scheme

Year ended 31 March 2018

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.

The Trustee has put in place processes to adhere to these requirements as follows:

- Appointing a professional third party administrator, Legal and General.
- Having in place service level agreements (SLAs) with the administrator which cover all core administration processes. These SLAs are monitored on a quarterly basis by the Trustee, via the Administration Sub-Committee and the in-house team.
- Maintaining close working links between the in-house pension team and the administrator.
- Ensuring that detailed disaster recovery plans are in place with the administrator, other relevant third parties, and within the sponsoring employer.
- Preparing a Risk Register which outlines the risks to members and the Scheme, including those in relation to financial transactions, and considers the impact, likelihood, controls and mitigation steps for each risk. The Risk Register is subject to ongoing monitoring and review.
- Appointing a Registered Auditor to undertake an annual audit. The Scheme Auditor independently tests a sample of financial transactions for accuracy and timeliness as part of the annual audit process.

The Auditor carried out independent checks on the administration and asset transition undertaken by Zurich and Legal and General, as part of the implementation of revised investment arrangements during the year.

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 Knowledge and understanding of the Trustee

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.

Trustee Training

The Trustee carries out an annual evaluation of its training needs and gaps identified are addressed as required.

New Trustee complete an induction programme, which includes completing The Pension Regulator's online trustee toolkit. New Trustee must complete this within six months of their appointment. All Trustee (excluding the newly appointed Trustee with less than six month's service) have completed the TPR's toolkit, including the new essential modules "How a DC scheme works" and "Investment in a DC scheme".

Trustee are regularly sent pensions bulletins to assist them in keeping up to date with current matters, including relevant information about changes to pensions law. When particular matters of strategic importance are being discussed at the Committee or Board, training is provided ahead of any decisions.

A log of training received by the Trustee throughout the year is maintained.

Group Pensions Department also 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.

Kingfisher Pension Scheme

Year ended 31 March 2018

In 2017/18 a review of both Employer and Member Nominated Trustees took place and 4 new trustees have been appointed to the KPTL Board and 3 reserve trustees have been identified from a succession planning viewpoint. All of these trustees plus new corporate executive stakeholders with an interest in the pension Scheme will receive appropriate TKU.

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.

5. Trustee Statement of MP Governance

The Trustee undertake ongoing assessments of the Scheme against DCP Code of Practice and related guidance, and has implemented a structured plan for governance in this respect.

The Trustee consider that the systems, processes and controls across key governance functions are consistent with those set out in The Pensions Regulator's Code of Practice

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



BESTrustee plc,
represented by Clive Gilchrist, Chairman

29 June 2018

Note: Members can contact the Scheme with queries/views by using the website or Scheme App.